

Annual Report

2023

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 by specified business operators exceeded 700,000 in 2023, which was the largest number ever. The amount of information on STRs provided to the law enforcement authorities (LEAs) and other institutions also continued to increase and was effectively used for measures taken by the LEAs and other institutions.

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

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

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

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 etc. Asset-Freezing Act	..... Act on Special Measures Concerning Asset-Freezing 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, foreign legal professional corporations and attorney at law/registered foreign lawyer joint 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.

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Attachments

- (1) Act on Prevention of Transfer of Criminal Proceeds
- (2) Order for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds
- (3) Ordinance for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds
- (4) Act on Punishment of Organized Crimes and Control of Crime Proceeds (Extract)
- (5) Law concerning Special Provisions for the Narcotics and Psychotropics Control Law, etc., and Other Matters for the Prevention of Activities Encouraging Illicit Conduct and Other Activities Involving Controlled Substances through International Cooperation (Extract)
- (6) List of the Destinations of Suspicious Transaction Reporting

Note 1: Unless otherwise noted, statistics and other numbers shown, including in charts and figures, are taken from National Police Agency surveys.

Note 2: In this Report, the number of cases is counted by that of cases reported by prefectural police, so it is different from that of arrest cases.

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

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

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

Section 1 History of International AML/CFT Efforts

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

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

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

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

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

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

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

3. Countermeasures against Terrorist Financing

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

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

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

4 Countermeasures against Changing ML/TF Trends

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

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

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

Note: The term “virtual currency” used at the G7 Summit at Schloss Elmau, etc. was translated the “*kasou tsuuka* (virtual currency)” in Japanese, but later in international discussions,

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

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

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)

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* (crypto-assets)" in Japanese. This Annual Report uses expressions based on the original text of the Leaders' Declaration, etc. cited.

Section 2 History of AML/CFT Efforts in Japan

1. Enforcement of “the Anti-Drug Special Provisions Law”

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

2. Enforcement of “the Act on Punishment of Organized Crimes”

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

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

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

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

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

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

4. Development of “the Act on Prevention of Transfer of Criminal Proceeds”

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

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

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

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

In November 2014, based on the above-mentioned results in the FATF Third Round Mutual Evaluation of Japan, the government partially amended the Act on the Punishment of Financing to Offences of Public Intimidation (which came into force in December 2014) and established the International Terrorist Asset-Freezing Act (now referred to as the International Terrorist etc. 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 currency exchange service providers. 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 currency exchange service providers 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 "crypto-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 "crypto-assets exchange service providers" (enforced in May 2020).

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

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

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

In addition, in December 2022, based on the fact that in the recommendations in the FATF Fourth Round Mutual Evaluation Report (MER) of Japan published in August 2021, it was recommended that Japan work on strengthening countermeasures against virtual assets and amending laws to strengthen the AML measures, the Act on Prevention of Transfer of Criminal Proceeds was amended to include matters related to verification at the time of transactions conducted by legal professionals as specified business operators and establish the provisions for the STR reporting obligation, and the "Act to Partially Amend the Act on Special Measures Concerning the Asset-Freezing of International Terrorists Conducted by Japan Based on United Nations Security Council Resolution 1267, etc., to Deal with International Transfers of Unlawful Funds" (hereinafter referred to as the "Act to Respond to FATF Recommendations") was enacted, including the notification obligation pertaining to the transfer of virtual assets on crypto-assets exchange service providers as specified business operators (the provisions on the notification obligation, etc., related to transfers of virtual assets are to be enforced in June 2023, and the provisions on the addition of matters related to the verification at the time of transactions conducted by legal professionals and the development of the STR reporting obligation, etc., are to be enforced on the day specified by Cabinet Order by June 8, 2024). The Act to Respond to FATF Recommendations is an amended Act that collectively performs a total of six amendments of laws and acts, including the Act on Prevention of Transfer of Criminal Proceeds, the Act on Punishment of Organized Crimes, and the Anti-Drug Special Provisions Law. It also covers amendments to the Act on Punishment of Organized Crimes and the Anti-Drug Special Provisions Law that are intended to raise statutory penalties for the crime of money laundering, amendments to the Act on Punishment of Organized Crimes to expand the scope of property that can be confiscated as criminal proceeds, and amendments to the Act on Punishment of Terrorist Financing

to expand the constituent requirements of punishment provisions and to raise statutory penalties. These amended provisions were enforced from the day 20 days after their promulgation (December 29, 2022).

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

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

Figure 1-1 History of AML/CFT Measures

Global Events		Events in Japan
<ul style="list-style-type: none"> December 1988 July 1989 	<p>Adoption of UN New Narcotics Convention (Criminalization of money laundering activities related to illegal proceeds derived from drug crimes)</p> <p>Arch Summit (Establishment of the FATF (Financial Action Task Force on Money Laundering))</p>	
<ul style="list-style-type: none"> April 1990 	<p>FATF issued the 40 Recommendations</p> <ul style="list-style-type: none"> Customer identification by financial institutions Reporting of suspicious transactions to financial regulatory authorities 	<ul style="list-style-type: none"> June 1990 July 1992 <p>The Ministry of Finance issued an order to financial Organizations (requiring financial institutions to verify customer identity)</p> <p>Enforcement of the Anti-Drug Special Provisions Law (Criminalization of money laundering related to drug crimes, establishment of suspicious transaction reporting system)</p>
<ul style="list-style-type: none"> June 1994 	<p>FATF announced the FATF first round mutual evaluation of Japan</p> <ul style="list-style-type: none"> Recommendations made concerning scope of predicate offences for money laundering that targeted only drug crimes 	
<ul style="list-style-type: none"> June 1995 	<p>Halifax Summit (Confirmation of the need for extending the scope of predicate offences to serious crimes)</p>	
<ul style="list-style-type: none"> June 1996 	<p>FATF revised the 40 Recommendations</p> <ul style="list-style-type: none"> Extending the scope of predicate offences to serious crimes became compulsory. 	
<ul style="list-style-type: none"> May 1998 	<p>Birmingham Summit (Agreement on establishment of FIU)</p>	
<ul style="list-style-type: none"> July 1998 	<p>FATF announced the FATF second round mutual evaluation of Japan</p> <ul style="list-style-type: none"> Repeated recommendations made concerning scope of predicate offences for money laundering being only limited to drug crimes 	<ul style="list-style-type: none"> February 2000 July 2002 January 2003 December 2004 November 2005 March 2007 April 2007 <p>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)</p> <p>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)</p> <p>Enforcement of the Customer Identification Act (Obligation of customer identification by financial institutions etc. is legislated.)</p> <p>Enforcement of the amended Act on Customer Identification by Financial Institutions (Punishment on illicit transfer of passbooks was established.)</p> <p>The Headquarters for the Promotion of Measures Against Transnational Organized Crime and International Terrorism decided on the Action Plan for Prevention of Terrorism.</p> <p>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</p> <p>Adoption of the Act on Prevention of Transfer of Criminal Proceeds</p> <p>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)</p>
<ul style="list-style-type: none"> December 1999 September 2001 	<p>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)</p> <p>Terrorist attacks in the US</p>	
<ul style="list-style-type: none"> October 2001 	<p>FATF issued its 8 Special Recommendations</p> <ul style="list-style-type: none"> Criminalization of terrorist financing, reporting of suspicious transactions related to terrorism 	
<ul style="list-style-type: none"> June 2003 	<p>FATF re-revised the 40 Recommendations</p> <ul style="list-style-type: none"> Application of recommendations to nonfinancial businesses (real estate agents, dealers in precious metals, dealers in precious stones, etc.) and professions (lawyers, accountants, etc.) 	
<ul style="list-style-type: none"> October 2004 	<p>FATF revised its 8 Special Recommendations to make 9 Special Recommendations</p> <ul style="list-style-type: none"> Measures were added to prevent physical movement of funds across border. 	
		<ul style="list-style-type: none"> March 2008 <p>Full enforcement of the Act on Prevention of Transfer of Criminal Proceeds (Enforcement of the customer identification obligation etc. to DNFBPs)</p>
<ul style="list-style-type: none"> October 2008 	<p>FATF announced the FATF third round mutual evaluation of Japan</p> <ul style="list-style-type: none"> Nine categories, including CDD, were given the "NC" rating 	

Global Events		Events in Japan
		<ul style="list-style-type: none"> • 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	
• June 2013	Lough Erne Summit (Agreed on the G8 Action Plan Principles)	<ul style="list-style-type: none"> • April 2013 Full enforcement of the Act on Prevention of Transfer of Criminal Proceeds (the portion amended in April 2011)
• June 2014	FATF announced a statement on Japan - FATF requested Japan to take prompt response to insufficient parts of the AML/CFT measures	<ul style="list-style-type: none"> • June 2013 Release of the Japan Action Plan
• June 2015	G7 Elmau Summit Declaration regarding the introduction of an appropriate regulation of virtual currency)	<ul style="list-style-type: none"> • 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 currency exchangers into the scope of specified business operators) • October 2016 Full enforcement of the amended Act on Prevention of Transfer of Criminal Proceeds (the portion amended in November 2014) • April 2017 Enforcement of the amended Act on Prevention of Transfer of Criminal Proceeds (amendment approved in May 2016) • June 2017 Adoption of the amended Act on Prevention of Transfer of Criminal Proceeds (National Tax Agency and other authorities added to the recipient of information on suspicious transactions) • July 2017 Enforcement of the amended Act on Prevention of Transfer of Criminal Proceeds (amendment approved in June 2017)

Global Events		Events in Japan
• March and July 2018	G20 Finance Ministers and Central Bank Governors Meeting (Declaration regarding the ML/TF issues of crypto-assets)	• July 2018 Adoption of the amended Act on Prevention of Transfer of Criminal Proceeds (adding casinos into the scope of specified business operators)
• October 2018	Revision of FATF Recommendation 15 “New Technologies” - Pointed out the need for AML/CFT Regulations against crypto-assets exchangers, etc.	• May 2019 Adoption of the amended Act on Prevention of Transfer of Criminal Proceeds (The term “virtual asset” replaced with “crypto asset”, the scope of regulation of services to manage crypto assets expanded)
• July 2020	FATF released the Report to the G20 Finance Ministers and Central Bank Governors on so-called stablecoins (Clarification of the application of FATF standards to so-called stable coins)	• May 2020 Enforcement of the amended Act on Prevention of Transfer of Criminal Proceeds (amendment approved in May 2019)
• October 2020	FSB’s recommendations at the G20 Finance Ministers and Central Bank Governors Meeting (Discussions on how to deal with so-called global stablecoins)	• July 2021 Enforcement of the amended Act on Prevention of Transfer of Criminal Proceeds (amendment approved in July 2018)
• August 2021	FATF announced the FATF fourth round mutual evaluation of Japan - Pointed out to the investigation and prosecution, etc. pertaining to the supervision on financial institutions, etc., and money laundering and terrorism financing	• August 2021 Release of the “Plan of Action for AML/CFT & Proliferation”
		• May 2022 Release of the National Strategy and Policy for AML/CFT/CPF
		• June 2022 Adoption of the amended Act on Prevention of Transfer of Criminal Proceeds (addition of issuers of high-value electronically transferable prepaid payment instruments and electronic payment instruments service providers, etc. to specified business operators)
		• December 2022 Adoption of the amended Act on Prevention of Transfer of Criminal Proceeds (addition of matters related to verification at the time of transactions conducted by legal professionals, introduction of a notification obligation for transfers of virtual currency, etc.)
		• June 2023 Enforcement of the amended Act on Prevention of Transfer of Criminal Proceeds (parts of the amendments of June 2022 and amendments of December 2022)

Section 3 History of FIU in Japan

1. Establishment of the FIU

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

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

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

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

2. Mission and Structure

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

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

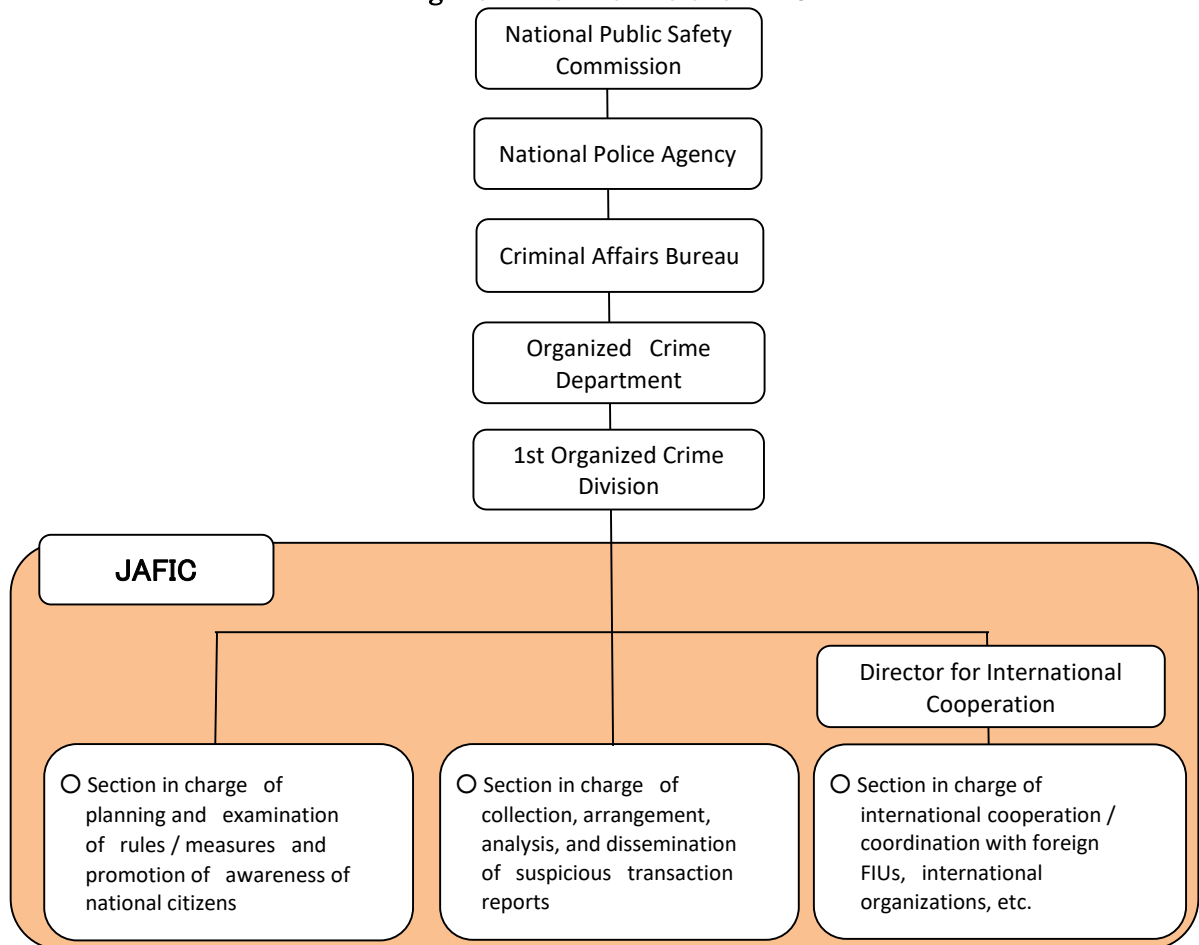
- Providing information and supplementing supervisory measures by administrative authorities to ensure that specified business operators take the required measures

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

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

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

Figure 1-2 Structure of JAFIC



3. Partners

The relevant administrative authorities in charge of supervising business operators (hereinafter referred to as “competent administrative authorities”) 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

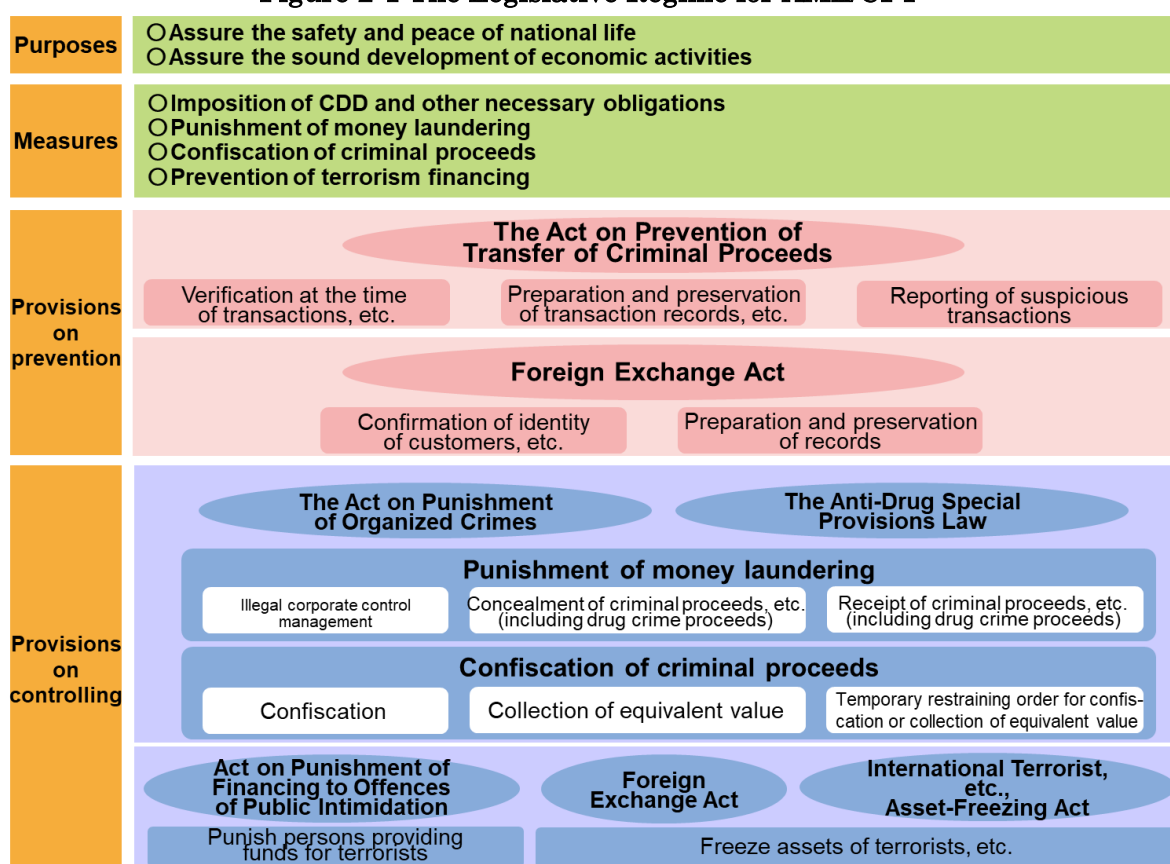
The AML/CFT regime in Japan has been developed since the 1980s. Today's AML/CFT regime focuses on achieving the following four goals:

- (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 etc. Asset-Freezing Act.

Figure 2-1 The Legislative Regime for AML/CFT



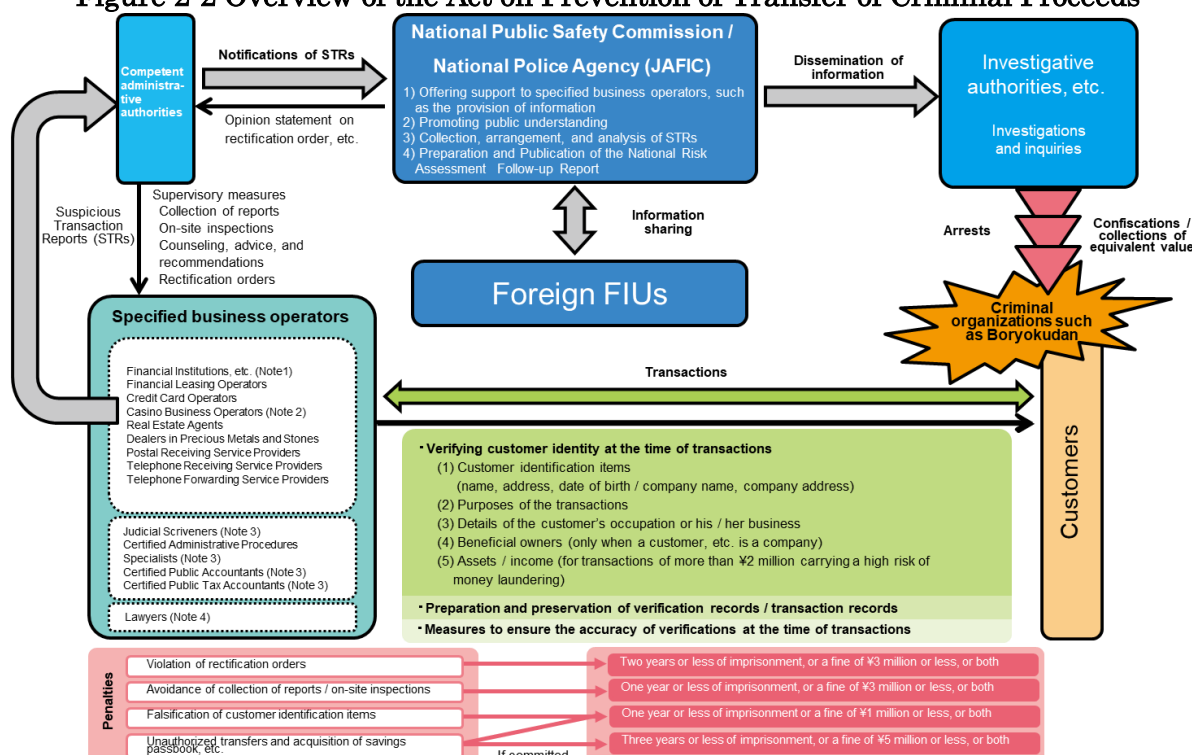
Section 1 The Legislative Regime Primarily for Imposing Obligations on Specified Operators to Perform CDD and Other Preventive Measures

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 entirety of the 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 40 Recommendations as revised again in 2003.

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

Figure 2-2 Overview of 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

Note 1: This text explains the Act on Prevention of Transfer of Criminal Proceeds as of June 1, 2023, although some parts of the Act have not yet been enforced.

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

2. Criminal Proceeds (Paragraph 1 of Article 2)

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

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

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

Specified business operators

○ 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); High-value electronically transferable prepaid payment instruments (item 30-2); Funds transfer Service Provider (item 31); Electronic payment instruments service providers (item 31-2); Electronic payment transaction services (item 31-3); Shinkin bank payment transaction services (item 31-4); Cooperative credit association electronic payment service providers (item 31-5); Crypto-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 operators (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 (item 45)
- Judicial scrivener (item 46)
- Certified administrative procedures specialists (item 47)
- Certified public accountant (item 48)
- Certified tax accountants (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 (12) and Table 2-1) are obligated to implement and the measures related to identification by lawyers are described in (1) to (12) and Table 2-1 and 2-2 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 2-3 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, certified administrative procedures specialists, certified public accountant, or certified tax accountant (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.^{Note 1}

For high-risk transactions,^{Note} specified business operators are required to use a more stringent method than usual to verify items related to verification at the time of transactions (limited to the verification of identification data in the case of a judicial scrivener, etc.). Moreover, in cases where the transaction involves the transfer of assets worth more than ¥2 million, specified business operators are required to verify information concerning sources of wealth and sources of funds of customers, etc. to the extent necessary to determine whether reporting of suspicious transactions is necessary. (For details, see the JAFIC Website.)^{Note 2}

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 2-4 to 2-8.

Note: Corresponds to “a transaction for which identity theft is suspected or a transaction with a customer, etc., who is suspected of having falsified matters relating to confirmation at the time of the transaction,” “a transaction with a customer, etc., residing or located in a specified country, etc.,” or “a transaction with a foreign PEP,” where the transaction in question poses a high risk of being connected to money laundering or terrorist financing.

(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.).^{Note 3}

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

Note 1: After the Act to Respond to FATF Recommendations comes into force, judicial scriveners, etc., will be required to confirm the purpose of transactions and the occupation and other details of the individual along with the identification of the individual.

Note 2: After the Act to Respond to FATF Recommendations comes into force, judicial scriveners, etc., will be required to confirm the purpose of transactions and the occupation and other details of the individual along with the identification of the individual. In addition, administrative scriveners, certified public accountants, and certified tax accountants will be required to confirm the status of assets and income in order to help determine whether or not a notification of a suspicious transaction should be made.

Note 3: After the Act to Respond to FATF Recommendations comes into force, administrative scriveners, certified public accountants, and certified tax accountants will be required to file an STR except for matters pertaining to the confidentiality obligation.

of transactions, the patterns and natures of transactions, and other circumstances.

The competent administrative authority (in the case of a prefectural governor, via the competent minister^{Note 1}) 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 contract 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 in the course of trade are required to report information related to clients and payment recipients to other specified business operators or exchange business operator located in foreign country.

- (7) Confirmation when concluding an agreement with foreign-based electronic payment instruments service providers (Article 10-2)

When concluding an agreement on continuously or repeatedly making transfers of electronic means of payment with foreign-based electronic payment instruments, electronic payment instruments shall confirm that foreign-based electronic payment instruments service providers has in place a system needed to precisely implement service providers measures equivalent to checks to be conducted at the time transactions are undertaken.

- (8) Notification pertaining to a transfer of electronic payment instruments (Article 10-3)

Electronic payment instruments service providers shall report information related to clients and recipients of the transfer to other electronic payment instruments service providers, or foreign-based electronic payment instruments service providers where an electronic means of payment is to be transferred.

- (9) Confirmation when concluding an agreement with a foreign-based crypto-assets exchange service provider (Article 10-4)

When concluding an agreement on continuously or repeatedly making transfers of crypto-assets with a foreign-based crypto-assets exchange service provider, a crypto-assets exchange service provider shall confirm that the foreign-based crypto-assets

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

exchange service provider has in place a system needed to precisely implement measures equivalent to checks to be conducted at the time transactions are undertaken.

(10) Notification pertaining to a transfer of crypto-assets (Article 10-5)

A crypto-assets exchange service provider shall report information related to clients and recipients of the transfer to other crypto-assets exchange service providers or foreign-based crypto-assets exchange service providers where a crypto-asset is to be transferred.

(11) 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.

(12) 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 (11) above (for (1), limited to the verification of customer identification data).^{Note 1}

The CDD regime in which the measures described in (1) through (3) of those described in (1) through (11) 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 (11) 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 etc. and foreign exchange transactions etc. as described in (5) through (10) is to make financial and other services less attractive to those who want to try to use them for money laundering and also have the effect of ensuring the traceability of illicit funds.

Note 1: After the Act to Respond to FATF Recommendations comes into force, lawyers will be subject to measures equivalent to the confirmation of the purpose of transactions and other matters as governed by Rules of the Japan Federation of Bar Associations as is the case with the confirmation of identification matters.

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

<div><div>Mandatory measures</div><div>Specified business operators [Article 2, paragraph 2]</div></div>	Verification at the time of transaction	Preparation and preservation of verification records	Preparation and preservation of transaction records, etc.	Reporting of suspicious transactions	Enhanced verification at the time of the conclusion of correspondence contracts	Notification pertaining to foreign exchange transactions	Measures to ensure thorough and effective CDD measures to be taken
	[Article 4]	[Article 6]	[Article 7]	[Article 8]	[Article 9]	[Article 10]	[Article 11]
Financial institutions (items 1 through 38)	○	○	○	○	○ (Limited to those who conduct exchange transactions on a regular basis)	○ (Limited to those who conduct exchange transactions on a regular basis)	○ (Note)
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)							
Postal receiving service providers (item 44)							
Telephone receiving service providers (item 44)							
Telephone forwarding service providers (item 44)							
Judicial scriveners (item 46)	○ (Only identification data)				×	×	
Certified administrative procedures specialists (item 47)							
Certified public accountants (item 48)							
Certified tax accountants (item 49)							
Lawyers (item 45)	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.[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. [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 Measures that Must be Implemented by Specified Business Operators under the Act (2)

Mandatory measure	Strict checks conducted at the time a correspondence agreement is concluded			Obligation to notify with respect to foreign exchange transactions, etc.		
	Agreement with a foreign-based foreign exchange trader (Article 9)	Agreement with a foreign-based business operator engaged in transactions involving electronic payment means etc. (Article 10-2)	Agreement with a foreign-based virtual assets exchanger (Article 10-4)	Foreign exchange transactions (Article 10)	Transfer of electronic payment instruments (Article 10-3)	Transfer of virtual assets (Article 10-5)
Specified business operator (paragraph (2) of Article 2)						
Specified business operator engaging in foreign exchange transactions in the course of operations (any of items 1 through 15 or item 31)	When an agreement to continuously or repeatedly engage in foreign exchange transactions is concluded with a foreign bank (correspondence agreement), the other party's system must undergo a check.	(Note)	x	A foreign exchange transaction must be conducted after providing a notification of personal identification matters pertaining to the customer or payment counterparty.	(Note)	x
Electronic payment instruments service providers (item 31-2)	x	When an agreement to continuously or repeatedly transfer electronic means of payment is concluded with a foreign-based business operator engaged in transactions involving electronic means of payment, the other party's system must undergo a check.	x	x	A transfer of electronic means of payment must be conducted after providing a notification of personal identification matters pertaining to the customer or transfer counterparty.	x
Crypto-assets exchange service provider (item 32)	x	x	When an agreement to continuously or repeatedly transfer virtual assets is concluded with a foreign-based virtual assets exchanger, the other party's system must undergo a check.	x	x	A transfer of virtual assets must be conducted after providing a notification of personal identification matters pertaining to the customer or transfer counterparty.

Table 2-3 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 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 2-4

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

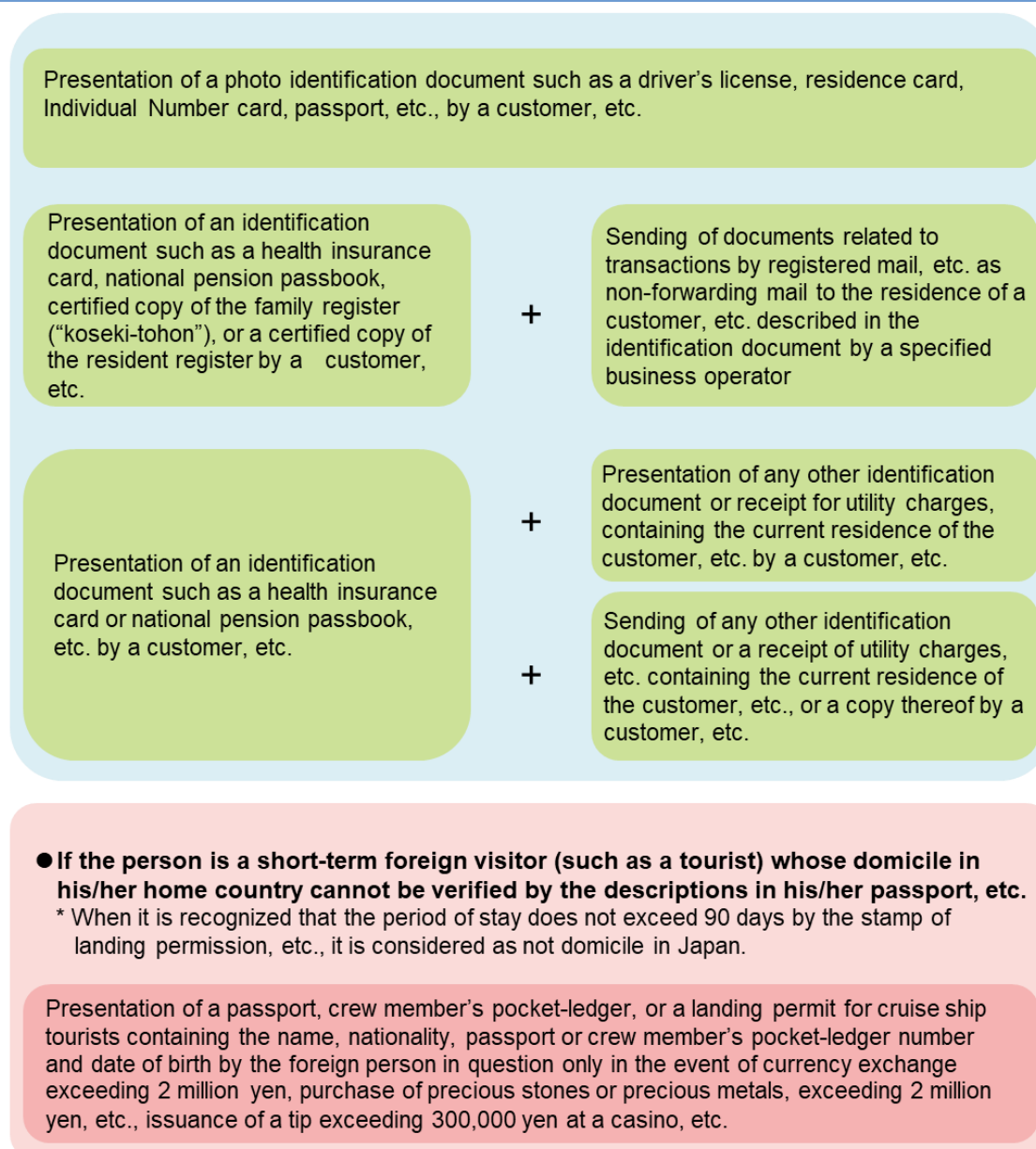


Figure 2-5

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

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

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

+

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

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

or

– Sending by a customer, etc. of information stored in the integrated circuit (IC) chip included in an identification document read by using software provided by a specified business operator (information on the name, address and date of birth)

+

Confirmation by a specified business operator of the fact that any other specified business operator has verified that a customer, etc. is the same customer, etc. recorded in the verification record (verified and recorded name, address and date of birth) prepared at the time of execution of a deposit/savings contract or a credit card contract by receiving information that should be unknown to anyone except the customer, etc. from the customer, etc.

+

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

+

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

Figure 2-6

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

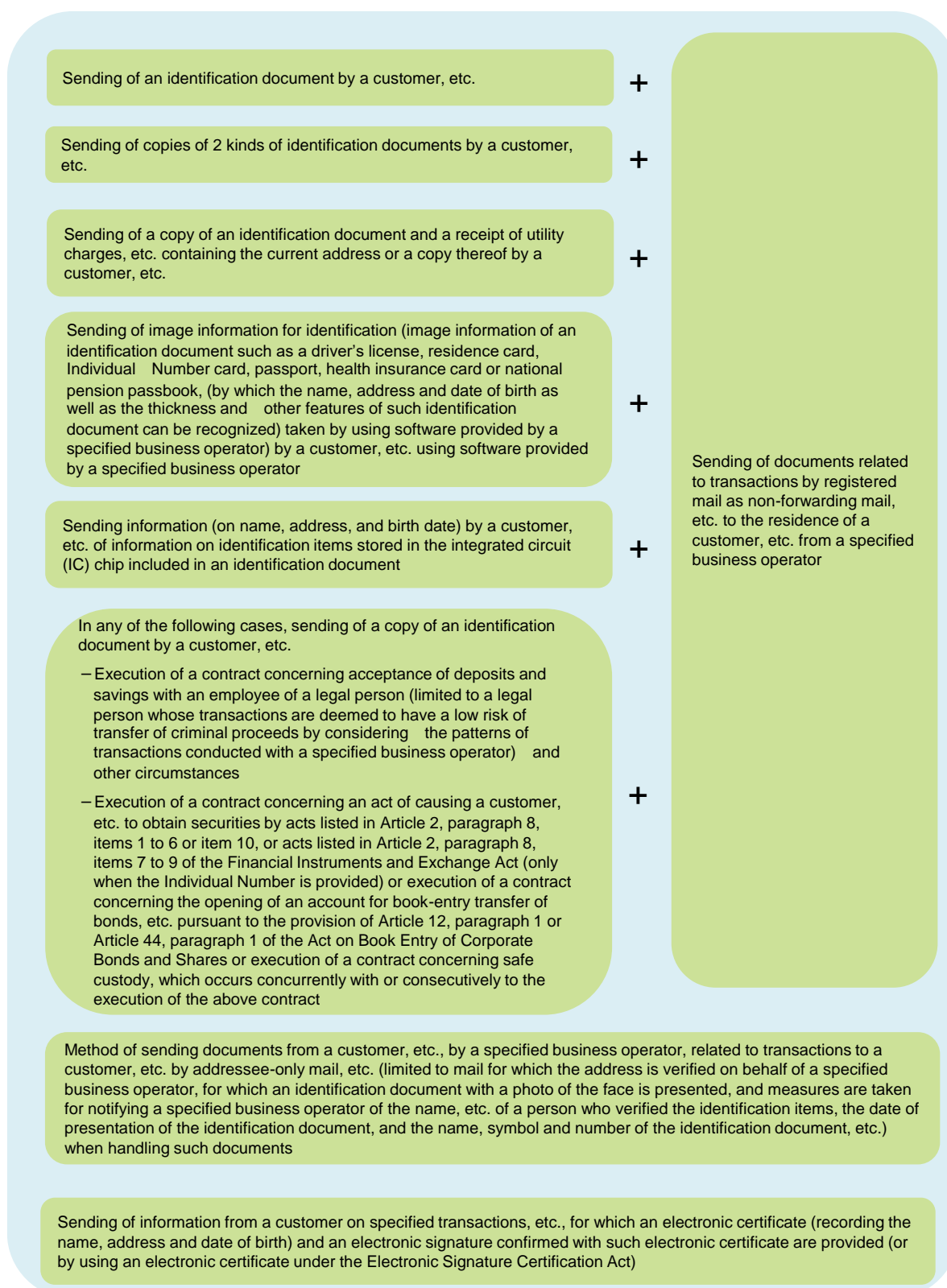


Figure 2-7

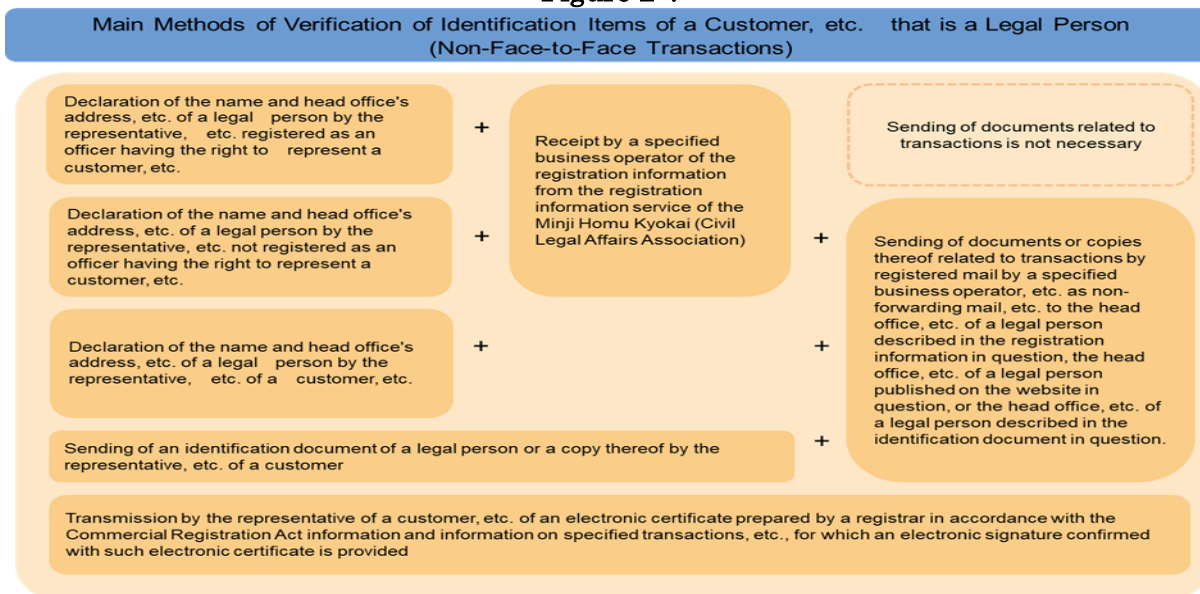
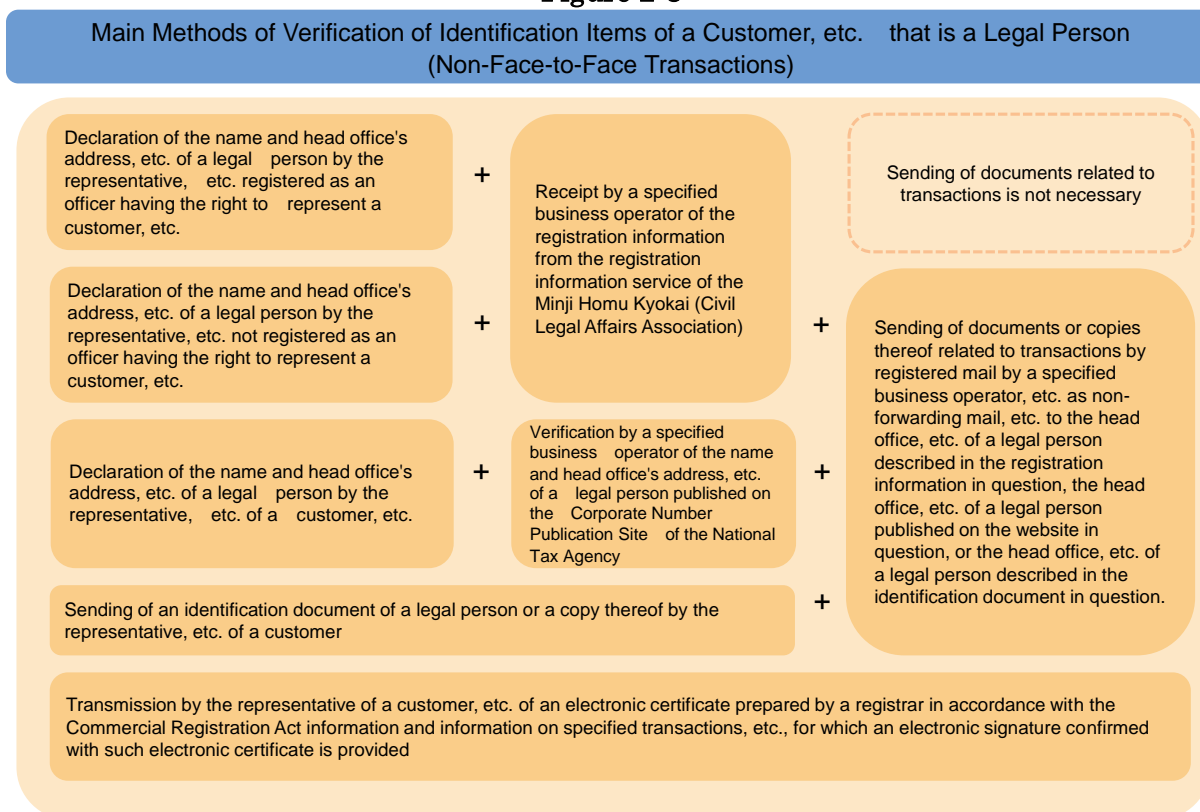


Figure 2-8



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

In order to make use of STR information for investigations conducted domestically or internationally, National Public Safety Commission 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. National Public Safety Commission 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, National Public Safety Commission is authorized to advise the supervising authorities over whether appropriate actions should be taken against specified business operators based on non-compliance that National Public Safety Commission detected. For the purpose of fulfilling this duty, National Public Safety Commission 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 crypto-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 crypto-asset transactions (information for crypto-exchange etc.) as the subject of a transaction, no matter whether or not it is for value, with a penalty of imprisonment with labor for not more than one year, or a fine of not more than 1 million yen, or both. Specifically, when such transaction is conducted as a business of any of the parties concerned, the penalty shall be increased to imprisonment with labor for not more than three years, or a fine of not more than 5 million yen, or both.

Furthermore, it is also prohibited that anyone invites or solicits another party to assign, deliver, or provide a deposit/savings passbook and exchange transaction card etc., or an ID and password for crypto-asset transactions no matter whether or not it is for value,

resulting in a punishment of imprisonment with labor for not more than one year, or a fine of not more than 1 million yen, or both.

9. Recent Legislative Changes

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

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

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

In light of these circumstances, the Bill to Partially Amend the Payment Services Act and Other Related Acts to Establish a Stable and Efficient Payment Services System, including the amendment of the Payment Services Act to regulate and license intermediaries dealing with electronic payment instruments and the amendment of the Act on Prevention of Transfer of Criminal Proceeds to add intermediaries dealing with electronic payment instruments, etc., and issuers of high-value, electronically transferable type prepaid payment instruments to specified business operators, was submitted to the 208th session of the Diet in March 2022. The bill was enacted on June 3, 2022, and promulgated on June 10 of the same year. The amended parts of the Act on Prevention of Transfer of Criminal Proceeds came into force on June 1, 2023.

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

- i) Addition of specified business operators

Issuers of high-value, electronically transferable type prepaid payment instruments, intermediaries dealing with electronic payment instruments, electronic payment service operators, shinkin bank electronic payment service operators, and credit cooperative electronic payment service operators are added to specified business operators who are obliged to verify the preparation and preservation of verification records, reporting of suspicious transactions, etc., at the time of transactions.

- ii) Enhanced verification at the time of the conclusion of contracts with intermediaries dealing with foreign-based electronic payment instruments

When intermediaries dealing with electronic payment instruments conclude a contract that provides for continuous or repeating transfers of electronic payment instruments with intermediaries dealing with electronic payment instruments located abroad, they are required to verify that the intermediaries dealing with electronic payment instruments located abroad have developed a system necessary for appropriately implementing a measure equivalent to verification at the time of a transaction.

- iii) Development of provisions for the notification obligation related to transfers of electronic payment instruments

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

- iv) Establishment of penal provisions

The Act on Prevention of Transfer of Criminal Proceeds provides for penal provisions for the transfer and receipt of deposit/savings passbooks, etc., by a third party for criminal acts of transferring proceeds by impersonating another person. For transactions of high-value, electronically transferable type prepaid payment instruments through issuers of high-value, electronically transferable type prepaid payment instruments, and transactions of electronic payment instruments through intermediaries dealing with electronic payment instruments, there is the risk that such information is misused by a third party impersonating another party for the transfer of criminal proceeds, if information such as an ID and password required to receive services is provided to the third party. Therefore, the Act also provides for penal provisions to the same effect pertaining to the receipt of information required for receiving services under a user agreement for high-value, electronically transferable type prepaid payment instruments and a transaction agreement for electronic payment instruments.

- (2) Amendment of the Act on Prevention of Transfer of Criminal Proceeds in accordance with the Act to Respond to FATF Recommendations (promulgated on December 9, 2022)

Based on the fact that in the FATF Fourth Round Mutual Evaluation Report of Japan publicly disclosed in August 2021, it was recommended that Japan work on strengthening its countermeasures against crypto-assets and amending laws to strengthen its AML measures, a bill for the Act to Respond to FATF Recommendations, including matters related to verification at the time of transactions conducted by legal professionals as specified business operators through the amendment of the Act on Prevention of Transfer of Criminal Proceeds, the development of the provisions for the STR reporting obligation, and the notification obligation pertaining to the transfer of crypto-assets on crypto-assets exchange service providers as specified business operators, was submitted to the 210th session of the Diet in October 2022. The bill was enacted on December 2, 2022, and promulgated on December 9 of the same year (and is slated to fully come into force by June 8, 2024). The following is an outline of the amendments to the Act on Prevention of Transfer of Criminal Proceeds.

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

When judicial scriveners, etc. from among so-called legal professionals operating as specified business operators conduct verification at the time of transactions, in addition to matters concerning customer identification, they are newly required to verify the purpose of the transaction, etc. (purpose of the transaction, occupation, nature of business, and beneficial owner). Also, certified administrative procedures specialists, certified public accountants, and certified

public tax accountants are required to report suspicious transactions, except for matters concerning confidentiality obligations, and in high-risk transactions, to verify information concerning sources of wealth and sources of funds to determine whether the reporting of suspicious transactions is necessary.

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

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

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

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

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

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

- iv) Development of provisions imposing the notification obligation related to transfers of crypto-assets

When crypto-assets exchange service providers transfer crypto-assets, they are required to provide information on customers and transfer counterparties to other crypto-assets exchange service providers or to foreign crypto-assets exchange service providers.

- (3) Amendment of the Regulation for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds in conjunction with a partial amendment of the Basic Act on the Formation of a Digital Society, etc. (promulgated and enforced on May 11, 2023)

Act on Certification Business of Local Governments in Relation to Electronic Signature (Act No. 153 of 2002) has been amended in accordance with the provisions of Article 49 of the Act on the Arrangement of Related Laws for the Formation of a Digital Society (Act no. 37 of 2021) and digital certificates for signatures, which could only previously be recorded on the Individual Number Card, are now available on smartphones. Accordingly, the method by which the transmission of signature electronic certificates for mobile terminal equipment (signature electronic certificates signatures made available on smartphones) is received has been prescribed as a method of identifying customers under the Ordinance for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds (Ministerial Order no. 1 of 2008 as issued by the Cabinet Office, Ministry

of Internal Affairs and Communications, Ministry of Justice, Ministry of Finance, Ministry of Health, Labour and Welfare, Ministry of Agriculture, Forestry and Fisheries, Ministry of Economy, Trade and Industry, Ministry of Land, Infrastructure and Transport) (promulgated and enforced on May 11, 2023).

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 Foreign Exchange 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 Foreign Exchange 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, funds transfer Service Providers, and crypto-assets exchange service providers are obligated to confirm identity when conducting a specified exchange transaction or crypto-assets transfer transaction. Banks and other financial institutions (which refer to banks, trust companies, type I financial instruments business operators, type II financial instruments business operators, and crypto-assets exchange service providers) and currency exchanging operators are obligated to confirm identify when executing a contract for a capital transaction with or providing a currency exchange service for a customer. When confirming identify, they need to confirm the name, address or residence, and date of birth of a customer by requesting that he/she presents a driver's license or by other means if said customer is a natural person, and to confirm the company name and location of the principal place of business if said customer is a legal person. If a representative of a company conducts a specified exchange transaction, etc. for the company, or otherwise a natural person who is in charge of a specified exchange transaction, etc. with a bank or any other business operator is not the customer him/herself, financial institutions and currency exchange service providers are required to confirm the identify of such natural person, in addition to the identity of the customer.

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

Whenever financial institutions and currency exchange service providers confirm 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, Article 18-6, Paragraph 2 of Article 22-2, Article 22-3, and Article 70-2)

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

transaction, or a capital transaction.

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

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

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

Also, a bill for the Act to Respond to FATF Recommendations including the provisions imposing the obligation to confirm the identity of customers and other obligations on intermediaries dealing with electronic payment instruments providers, etc., was submitted to the 210th session of the Diet. The bill was enacted on December 2, 2022, and promulgated on December 9 of the same year. The provisions of the Foreign Exchange Act that pertain to the obligation to identify customers came into force on June 1, 2023.

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 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,^{Note 1} (ii) the act of

Note 1: *Criminal proceeds, etc.*, means the proceeds of crime, property derived from the proceeds of crime, or any of these kinds of property intermingled with other kinds of property (paragraphs (2) through (5) of Article 2 of the Act on Punishment of Organized Crimes).

concealing criminal proceeds, (iii) the act of disguising facts with respect to the source of criminal proceeds.

(3) Receipt of criminal proceeds (Article 11)

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

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

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

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

3. Recent Legislative Changes

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

The following is the outline of the amendments to the Act on Punishment of Organized Crimes.

(1) Raising statutory penalties for ML offences

- i) The statutory penalty for illegal corporate control management (Article 9) was amended from “imprisonment with labor for not more than five years, or a fine of not more than 10 million yen, or both” to “imprisonment with labor for not more than 10 years, or a fine of not more than 10 million yen, or both.”
- ii) The statutory penalty for concealment of criminal proceeds (Article 10, paragraph

- 1) was amended from “imprisonment with labor for not more than five years, or a fine of not more than 3 million yen, or both” to “imprisonment with labor for not more than 10 years, or a fine of not more than 5 million yen, or both.”
- iii) The statutory penalty for receipt of criminal proceeds (Article 11) was amended from “imprisonment with labor for not more than three years, or a fine of not more than 1 million yen, or both” to “imprisonment with labor for not more than 7 years, or a fine of not more than 3 million yen, or both.”
- (2) Expanding the scope of property subject to confiscation
The types of property that may be confiscated as criminal proceeds provided for in Article 13, paragraph 1 of the Act on Punishment of Organized Crimes was amended from "real property, movables, or monetary claims" to "property." This makes it possible to confiscate new types of property, such as crypto-assets.

Paragraph 2 Anti-Drug Special Provisions Law

The Anti-Drug Special Provisions Law was enacted for the purpose of blocking cycles of illegal proceeds derived from drug crimes, directly triggered by the UN New Narcotics Convention adopted in 1988 and the “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^{Note 1} and concealing and receiving such proceeds as money laundering.

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

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

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

3. Recent Legislative Changes

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

Note 1: *Drug-related criminal proceeds, etc.*, means the proceeds of drug-related crime, property derived from the proceeds of drug-related crime, or any of these kinds of property intermingled with other kinds of property (paragraphs (3) through (5) of Article 2 of the Act Concerning Special Provisions for the Narcotics and Psychotropics Control Act).

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

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

Section 3 The Legislative Regime Primarily for Prevention of Terrorism Financing

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

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

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

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

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

2 Recent Legislative Changes

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

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

- (1) Expanding the constituent requirements through the establishment of “Specified Criminal Acts”

The FATF pointed out that the scope criminalization of the Act on Punishment of Financing to Offences of Public Intimidation is more limited than that required by the International Convention for the Suppression of the Financing of Terrorism due to the "public intimidation" requirement contained in the Act. Although the International Convention is considered to be secured, in order to make CTF measures more complete

through international cooperation, a new category of "Specified Criminal Acts" was created to criminalize the provision of funds, etc.

(2) **Raising statutory penalties**

The FATF pointed out that the statutory penalties of the punishment provisions of the Act on Punishment of Financing to Offences of Public Intimidation do not have an appropriate and sufficient deterrence effect. Also, in light of the current state of terrorism in various parts of the world, the statutory penalties under the punishment provisions of the Act have been increased in order to deter terrorist financing and related acts more strongly under international cooperation.

Paragraph 2 Foreign Exchange Act

1. Asset-Freezing Measures Under the 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.

2. Recent Legislative Changes

In order to further ensure the effectiveness of asset-freezing measures under the Foreign Exchange Act while responses to the FATF Recommendations are being carried out, a bill for the Act to Respond the FATF Recommendations, which includes the imposition of the obligation to establish a system for appropriately implementing asset-freezing measures in accordance with the compliance standards for business operators engaged in foreign exchange transactions, etc., on financial institutions, etc., that are subject to the Foreign Exchange Act, was submitted to the 210th session of the Diet. The bill was enacted on December 2, 2022, and promulgated on December 9 of the same year. Provisions of the Foreign Exchange Act that pertain to these standards are slated to come into effect on April 1, 2024.

Paragraph 3 International Terrorist etc. Asset-Freezing Act

1. Asset Freezing and Other Measures

Together with the measures under the Foreign Exchange and Foreign Trade Act (FEFTA), asset freezing, and other measures under the Terrorist Asset Freezing Act (TAFA) secure the performance of the obligations established in the United Nations Security Council Resolution No. 1267, etc. 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 above resolutions.

The TAFA requires that individuals and entities named in notices of the National Public

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

2. Recent Legislative Changes

Published in August 2021, the FATF Fourth Round Mutual Evaluation Report of Japan called for the regulation of domestic transactions linked to concerned parties with ties to plans or programs related to weapons of mass destruction.^{Note 1} Amid these circumstances, a bill for the Act to Respond the FATF Recommendations was submitted to the 210th session of the Diet. The bill was enacted on December 2, 2022, and promulgated on December 9 of the same year. The amended TAFA came into force on June 1, 2023. The provisions that were amended include those that for the first time brought concerned parties with ties to plans or programs related to weapons of mass destruction within the scope of asset-freezing measures.

Note 1: Parties who are involved in or provide support for plans or programs related to the development, etc., of weapons of mass destruction by specified countries or regions.

Chapter 3 The Operational Status of the Suspicious Transactions Reporting System

Specified business operators (excluding lawyers and judicial scriveners; hereinafter the same applies in this Chapter) are required to file a report to the competent administrative authorities when a transaction is suspected of being related to criminal proceeds.

Amendments made to the Act on Prevention of Transfer of Criminal Proceeds in accordance with the Act to Respond the FATF Recommendations, which was enacted in December 2022, also mandate that administrative scriveners, certified public accountants, and certified tax accountants report suspicious transactions with the exception of matters pertaining to the confidentiality obligation (slated to come into force by no later than June 8, 2024 on a date to be set forth by Cabinet Order).

Section 1 System Outline

1. Purpose

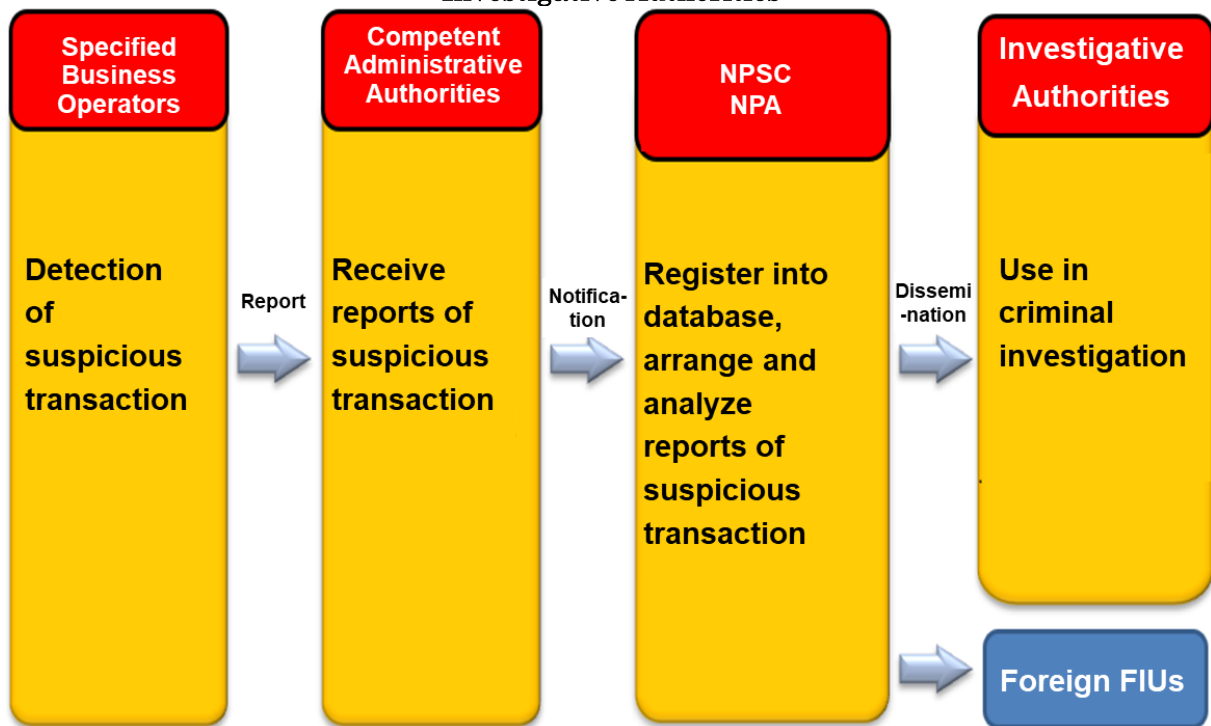
The suspicious transaction reporting system aims to support investigations of money laundering and its predicate offences, as well as terrorist financing, to prevent the misuse of financial or other services provided by specified business operators and to enhance trust in business activities.

2. Flow of Suspicious Transaction Reporting

Suspicious transactions reported by specified business operators are collected at National Public Safety Commission · National Police Agency via the competent administrative authorities. NPSC and NPA collates and analyzes suspicious transaction reports (STRs) to disseminate those that are deemed useful to the investigative authorities, such as the prefectural police and public prosecutors, for their use.

The investigative authorities use the received STRs for investigations of criminal cases involving money laundering offenses or their predicate offences. 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.

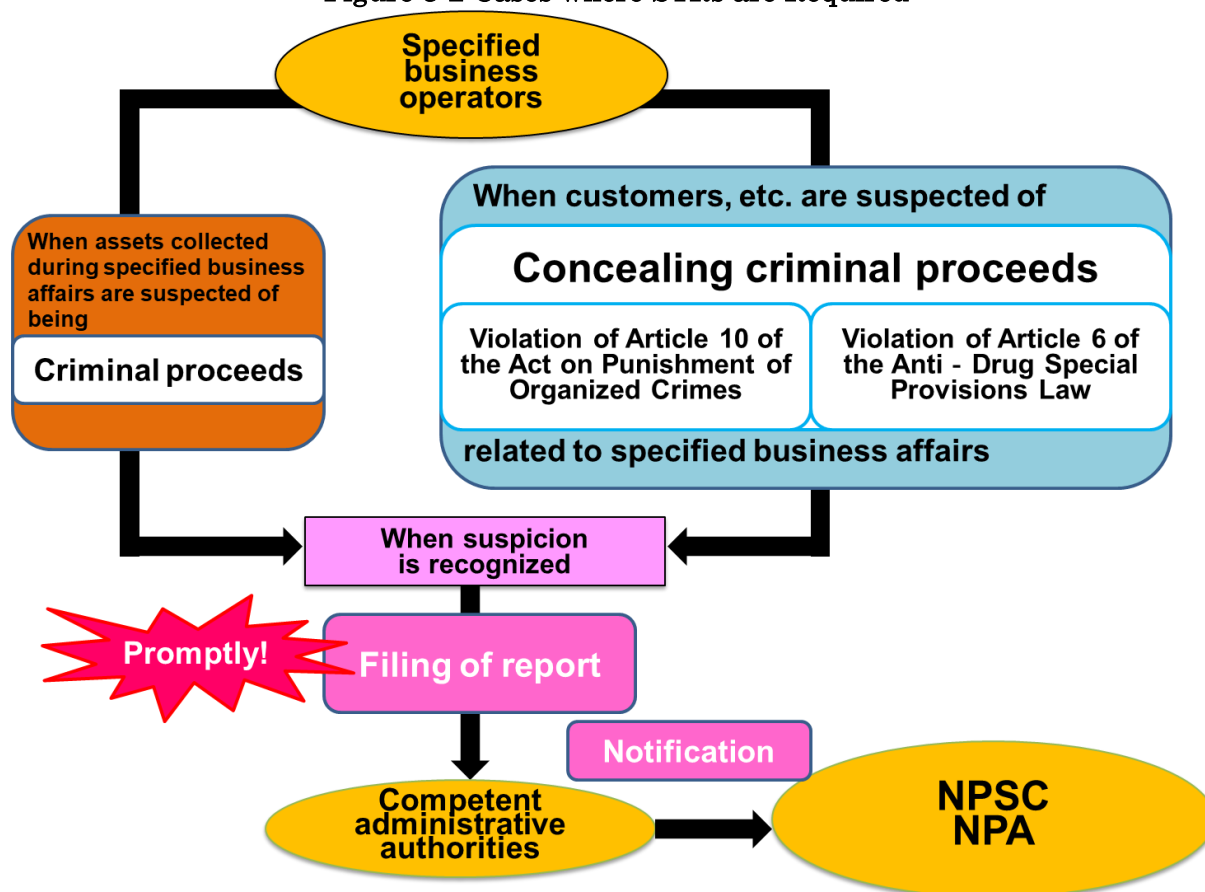
Figure 3-1 Flow of STRs from Specified Business Operators through JAFIC to the Investigative Authorities



3. When STRs are Required

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

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 have announced “reference cases of suspicious transactions,” based on the characteristics of respective transactions conducted by specified business operators. These cases are provided as a reference to help specified business operators find or identify suspicious transactions in their day-to-day operations. Although all of the transactions that appear to match the listed samples in the reference cases do not necessarily have to be reported as STRs, any transaction that specified business operators determine as should be reported as STRs are subject to the reporting.

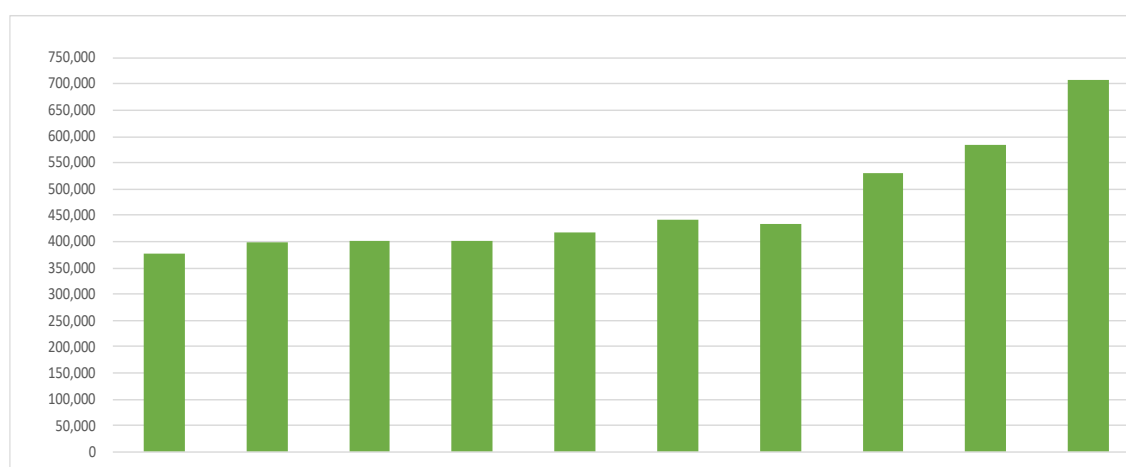
Note: Methods, etc., of verification of whether there is suspicion of ML by comparing the nature of a transaction with those of normal transactions and comparing it with the nature of past transactions with the same customer, and based on its consistency with the verification results.

Section 2 Situation of STR Filings, etc.

1. Transition of the Annual Number of Notifications

Although the suspicious transaction reporting system was established with the enforcement of the Anti-Drug Special Provisions Law in 1992, less than 20 reports a year were received between 1992 and 1998, largely because the subjects of the reporting were limited to proceeds derived from drug-related crimes. However, since the enactment of the Act on Punishment of Organized Crimes in 1999, the crimes subject to suspicious transaction reports were extended beyond drug-related crimes to include other serious crimes as specified by the Act. Since the enforcement of the Act in 2000, the number of reports has been rising. The number of reports received in 2023 was 707,929.

Figure 3-3 Trend Diagram of Annual Number of STRs (2014–2023)



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Number of STRs	377,513	399,508	401,091	400,043	417,465	440,492	432,202	530,150	583,317	707,929

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

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

- The spread of compliance culture among the general public and the increasing importance of the international AML/CFT measures has encouraged specified business operators to apply stringent monitoring for their measures against illegal money transfers.
- The effects of workshops and other such educational sessions concerning the need to report suspicious transactions held for specified business operators are being felt.

The number of STRs deleted in 2023 was 111,829 and the number of STRs stored as of the end of December 2023 was 6,322,054.

2. Annual Number of Notifications by Business Type

The number of STRs that each category of business operator filed in 2023 is shown in Table 3-1. Banks, etc., had the highest number of reports, at 498,155 or 70.4% of all reports, followed by money lenders (63,954 or 9.0%) and credit card operators (45,674 or 6.5%) (see Table 3-1).

Table 3-1 Annual Number of STRs by Business Type

Category \ Year	2019	2020	2021	2022	2023
	Number of reports	Number of reports	Number of reports	Number of reports	Number of reports
Financial Institutions etc.	415,299	402,868	495,029	542,003	661,838
Depository Institutions	366,973	342,226	411,683	435,728	522,649
Banks etc.	344,523	319,812	390,381	414,651	498,155
Shinkin Banks and Credit Cooperative	19,487	19,793	18,461	18,520	21,636
Labor Banks	371	300	318	316	397
Norinchukin Banks etc.	2,592	2,321	2,523	2,241	2,461
Insurance Companies	2,876	2,635	3,458	3,939	4,575
Financial Instruments Business	17,116	17,933	19,718	19,032	20,550
Money Lender	17,316	25,255	35,442	45,684	63,954
Fund Transfer Companies	3,913	6,040	10,499	20,271	29,232
Virtual Assets Exchange Service Providers	5,996	8,023	13,540	16,550	19,344
Futures Commission Merchant	256	320	388	318	846
Currency Exchanging Operators	712	252	201	430	655
Electronic Receivables Recording Organizations	4	5	7	0	14
Others	137	179	93	51	19
Financial Leasing Operators	270	123	163	71	214
Credit Card Operators	24,691	29,138	34,904	41,106	45,674
Real Estate Agent	6	7	4	11	18
Dealers in Precious Metals and Stones	217	63	48	124	138
Postal Receiving Service Providers	4	2	0	1	30
Telephone Receiving Service Providers	0	0	0	0	0
Telephone Forwarding Service Providers	5	1	2	1	17
Total	440,492	432,202	530,150	583,317	707,929

3. Annual Number of Notifications by Methods

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

Table 3-2 Annual Number of STRs by Method

Method \ Year	2019		2020		2021		2022		2023	
	Number of reports	%	Number of reports	%	Number of reports	%	Number of reports	%	Number of reports	%
Electronic Application	436,291	99.0%	428,089	99.0%	526,997	99.4%	579,533	99.4%	704,230	99.5%
Other Methods	4,201	1.0%	4,113	1.0%	3,153	0.6%	3,784	0.6%	3,699	0.5%
Total	440,492	100.0%	432,202	100.0%	530,150	100.0%	583,317	100.0%	707,929	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 2023 was 685,330, when the number of STRs reached a record high (see Table 3-3).

JAFIC utilizes the following information for factual investigations 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 2023 it reached a record high of 21,730 (see Table 3-3).

Table 3-3 Number of Reports Disseminated to LEAs

	2019	2020	2021	2022	2023
Information on STRs	467,762	461,687	524,462	581,252	685,330
Results of Analysis	8,676	11,176	12,769	15,990	21,730

In 2023, 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 submitted to date to discover criminal proceeds, factually investigate criminal organizations, and investigate such crimes as those related to money laundering offenses. The number of STRs used by prefectural police departments for investigations in 2023 was 496,093(see Table 3-4).

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

	2019	2020	2021	2022	2023
Number of STRs used in investigation	307, 786	325, 643	353, 832	373, 849	496, 093

The number of cases cleared that were initiated based on STRs and closed with arrests by prefectural police departments (“STR-initiated cases”) was 1,038 in 2023, and the number of arrests made by using STRs in the course of performing investigations already underway (“STR-use cases” (excluding STR-initiated cases)) was 2,160.

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

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

- (i) The number of STR-initiated cases of fraud-related crimes (fraud and violations of the Act on Prevention of Transfer of Criminal Proceeds, etc.) was 917, accounting for 88.3% of all STR-initiated cases, and the number of STR-use cases of fraud-related crimes was 1,024, accounting for 47.4% of all STR-use cases. They included fraud affecting or the assignment or transfer of bank accounts or virtual asset accounts, the fraudulent receipt of benefits related to COVID-19 and other benefits, and special fraud such as concert ticket sales scams through the exploitative use of on social media, refund fraud by parties related to Boryokudan (Japanese gangster organizations), and cash card fraud.
- (ii) The number of STR-initiated cases of illegal stays (violations of the Immigration Control Act) was 20 and the number of STR-use cases of illegal stays was 43, which included cases of foreign nationals who had overstayed their visas, who had no work permits and were given assistance by persons associated with Boryokudan 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 (including the concealment and receipt of criminal proceeds) was 24 and the number of STR-use cases violating the Act on Punishment of Organized Crimes was 77, which included concealing and receiving criminal proceeds obtained through special fraud, loan sharks, and other such illegal acts.
- (iv) The number of STR-initiated cases of drug crimes (violation of the Stimulants Control Act and the Cannabis Control Act, etc.) was 23 and the number of STR-use cases of drug crimes was 291, 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 (such as the use of forged official (private) documents with a seal and the unauthorized creation and supplying of private electromagnetic records) was 24, while the number of STR-use cases of counterfeiting crimes was 50, which included the unauthorized opening of virtual asset accounts using forged driver’s licenses, the unauthorized acquisition of cashless payment service accounts by persons associated with Boryokudan, and sham marriages.
- (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 3 and the number of STR-use cases of loan sharks

was 10, 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 3 and the number of STR-use cases of entertainment business-related offences was 16, which included the operation of unlicensed bars or nightclubs, the distribution of obscene objects through the selling of DVDs on which obscene images are recorded, and the operation of adult entertainment shops in prohibited areas.
- (viii) The number of STR-initiated cases and number of STR-use cases of gambling-related offences (habitual gambling, running of a gambling place for the purpose of gain, etc.) were 2 and 10, respectively, which included arrests for habitual gambling through the use of online casinos and mahjong gambling organized by the senior members of Boryokudan.
- (ix) The number of STR-initiated cases of other criminal offences (theft, violence, felony, etc.) was 13 cases and the number of STR-use cases of other criminal offences was 555, which included unauthorized withdrawals of money from ATMs using another person's cash card obtained by way of special fraud and extortion by senior members of Boryokudan.
- (x) The number of STR-initiated cases of other special criminal offences (violation of the Trademark Act or the Banking Act, etc.) was 9 and the number of STR-use cases was 84, which included violations of the Trademark Act through the sale and transfer of fake products without the approval of the trademark licensor, violations of the Customs Act through the smuggling of gold bullion into the country, and violations of the Banking Act through illegally sending money overseas without a license.

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

STR-initiated Cases by Type of Crime	2019	2020	2021	2022	2023
(i) Fraud-related crimes	933	873	855	877	917
Violation of Act on Prevention of Transfer of Criminal Proceed	593	631	561	626	674
Fraud	338	237	290	247	236
Computer fraud	2	5	4	4	7
(ii) Illegal stays	53	38	46	25	20
Violation of Immigration Control Act	53	38	46	25	20
(iii) Violation of Act on Punishment of Organized Crimes	34	30	41	13	24
Concealment of criminal proceeds, etc.	20	21	28	9	17
Receipt of criminal proceeds, etc.	14	9	13	4	7
Control of management of companies, etc.	0	0	0	0	0
(iv) Drug crimes	39	45	39	28	23
Violation of Stimulants Control Act	35	36	26	18	2
Violation of Cannabis Control Act	0	5	8	6	16
Violation of Anti-Drug Special Provisions Law	4	1	4	3	1
Violation of Narcotics and Psychotropics Control Act	0	0	1	1	4
Violation of Act on Ensuring the Quality, Efficacy and Safety of Drug and Medical devices, etc.	0	3	0	0	0
(v) Counterfeiting crimes	15	8	17	16	24
Forgery of signed official (private) documents	8	4	8	5	10
Unauthorized creation and distribution of private electromagnetic records	0	2	5	6	9
Illegal preparation and supply of false entries in original electromagnetic notarized deed	5	0	2	2	2
Others	2	2	2	3	3
(vi) Loan sharks	13	6	8	8	3
Violation of Money Lending Business Act	11	2	6	7	2
Violation of Act Regulating the Receipt of Contributions, Receipt of Deposits, and Interest Rates	2	4	2	1	1
(vii) Entertainment business-related offences	4	3	2	2	3
Violation of Amusement Business Act	4	2	1	1	3
Distribution of obscene materials	0	1	1	1	0
(viii) Gambling-related offences	0	0	2	0	2
Habitual gambling	0	0	1	0	0
Gambling	0	0	1	0	0
Operating a gambling site for profit	0	0	0	0	2
(ix) Other criminal offences	12	12	18	11	13
Theft	5	9	11	8	9
Violence	4	2	4	1	3
Felony	0	0	0	0	0
Others	3	1	3	2	1
(x) Other special criminal offences	20	13	17	14	9
Violation of Trademark Act	3	1	5	2	0
Violation of Banking Act	2	4	4	4	1
Violation of Act on Specified Commercial Transactions	2	1	0	0	1
Violation of Customs Act	0	1	0	0	0
Others	13	6	8	8	7
Total	1,123	1,028	1,045	994	1,038

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

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

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

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

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

STR-use Cases by Type of Crime	Year	2019	2020	2021	2022	2023
(i) Fraud-related crimes		493	589	647	877	1024
Violation of Act on Prevention of Transfer of Criminal Proceed		275	302	271	396	498
Fraud		215	280	360	460	494
Computer fraud		3	7	16	21	32
(ii) Illegal stays		36	27	41	30	43
Violation of Immigration Control Act		36	27	41	30	43
(iii) Violation of Act on Punishment of Organized Crimes		37	40	37	61	77
Concealment of criminal proceeds, etc.		20	26	26	49	49
Receipt of criminal proceeds, etc.		17	13	11	12	27
Control of management of companies, etc.		0	1	0	0	1
(iv) Drug crimes		175	224	240	290	291
Violation of Stimulants Control Act		132	167	160	148	129
Violation of Cannabis Control Act		29	41	49	98	107
Violation of Anti-Drug Special Provisions Law		6	8	20	24	39
Violation of Narcotics and Psychotropics Control Act		4	7	6	18	14
Violation of Act on Ensuring the Quality, Efficacy and Safety of Drug and Medical devices, etc.		4	1	5	2	2
(v) Counterfeiting crimes		19	23	42	44	50
Forgery of signed official (private) documents		7	9	13	22	23
Unauthorized creation and distribution of private electromagnetic records		0	3	6	13	11
Illegal preparation and supply of false entries in original electromagnetic notarized deed		9	10	17	6	9
Others		3	1	6	3	7
(vi) Loan sharks		10	18	12	11	10
Violation of Money Lending Business Act		6	13	7	5	5
Violation of Act Regulating the Receipt of Contributions, Receipt of Deposits, and Interest Rates		4	5	5	6	5
(vii) Entertainment business-related offences		16	12	12	11	16
Violation of Amusement Business Act		16	12	12	11	13
Distribution of obscene materials		0	0	0	0	3
(viii) Gambling-related offences		9	9	10	4	10
Habitual gambling		6	5	5	3	3
Gambling		0	3	0	0	1
Operating a gambling site for profit		3	1	5	1	6
(ix) Other criminal offences		244	373	366	443	555
Theft		102	154	164	217	283
Violence		76	135	129	130	138
Felony		25	23	28	35	32
Others		41	61	45	61	102
(x) Other special criminal offences		63	82	94	95	84
Violation of Trademark Act		5	3	5	10	6
Violation of Banking Act		1	0	2	3	2
Violation of Act on Specified Commercial Transactions		3	2	5	6	2
Violation of Customs Act		3	1	1	1	5
Others		51	76	81	75	69
Total		1,102	1,397	1,501	1,866	2,160

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

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

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

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

2. The Public Prosecutors Offices

STRs are shared among public prosecutors offices nationwide. They are used for various investigative activities, such as covert investigation, verification of the credibility of statements, detection of crimes and identification of accomplices. In addition, STRs are widely utilized for monitoring the flow of funds of Boryokudan and other criminal organizations, which could contribute to uncovering their actual state.

3. The Narcotics Control Department

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

4. The Japan Coast Guard

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

5. The National Tax Agency

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

6. Customs

Customs creates a database of STRs that is shared with customs offices across the country. Customs utilizes STRs for investigations of Customs Act violations to identify people who committed illegal drug trafficking and detect illegal drug trafficking cases, for example, by such means as comparing them against various types of information obtained by customs offices. Customs strengthens the border enforcement to stop the smuggling of items that may threaten public safety and security by utilizing STRs.

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 itself, in criminal investigations into misconduct that impairs the fairness of the financial markets, such as the submission of false securities reports (window-dressing), insider trading, market manipulation, and the use of fraudulent means.

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 888 cases cleared as money laundering under the Act on Punishment of Organized Crimes in 2023, consisting of 1 case of illegal corporate and other forms of business management control, 696 cases of concealment of criminal proceeds, and 191 cases of the receipt of criminal proceeds. The total number of cases represented an increase of 179 cases (25.2%) over the previous year (see Table 4-1).

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

Category \ Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Management Control through Illicit Proceeds (Article 9)	1 (1)	2 (0)	0 (0)	2 (0)	1 (0)	0 (0)	2 (0)	0 (0)	1 (1)	1 (0)
Concealment of Criminal Proceeds, etc. (Article 10)	180 (26)	234 (43)	268 (45)	240 (22)	377 (36)	378 (32)	413 (27)	461 (32)	578 (43)	696 (39)
Receipt of Criminal Proceeds, etc. (Article 11)	112 (28)	145 (46)	112 (25)	111 (24)	126 (26)	150 (19)	182 (30)	162 (28)	130 (18)	191 (15)
Total	293 (55)	381 (89)	380 (70)	353 (46)	504 (62)	528 (51)	597 (57)	623 (60)	709 (62)	888 (54)

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

With regard to the types of money laundering cases under the Act on Punishment of Organized Crimes, there were 334 cases of fraud, the category accounting for the highest number of cases, followed by 319 cases of theft, 160 cases of computer fraud, and 17 cases of gambling-related crimes.

2. Modus Operandi of Money Laundering Observed in Cleared Cases

(1) Examples of Concealment of Criminal Proceeds

Predicate offenses of fraud and theft accounted for the bulk of cases of the concealment of criminal proceeds in 2023. 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. Those bank accounts constitute a major infrastructure used in money-laundering crimes.

In addition, criminals use various methods to disguise or conceal the fact that they have acquired or disposed of the proceeds of crime and thereby avoid being pursued by the investigating authorities, including hiding stolen property in coin-operated lockers, selling stolen goods using another person's identity documents, obtaining criminal proceeds by treating them as legitimate business proceeds, and transferring cash, monetary claims, or other criminal proceeds obtained by defrauding victims to electronic money usage rights or virtual assets.

[Case 1] Concealment of criminal proceeds related to a Telecom Fraud case
A male company employee was arrested for violating the Act on Punishment of Organized Crimes and Control of Proceeds of Crime (concealment of criminal proceeds) after he used a cash card that had been swindled from a victim by a Telecom Fraud group to withdraw cash from an ATM machine, purchased electronic money with some of this cash, and sent the code number for the right to use this electronic money via a messaging application.
(Nagasaki, in January)

[Case 2] Concealment of criminal proceeds related to a case of fraud through the use of the Internet
A male company employee was arrested for violating the Act on Punishment of Organized Crimes and Control of Proceeds of Crime (concealment of criminal proceeds) after he pretended to be another person by sending a driver's license in the name of another person to the victim and concluded a false vehicle sales agreement, arranged to have electronic money equivalent in value to the sale price remitted to an electronic money service account managed by himself, and pretended that the proceeds constituted legitimate earnings belonging to the holder of the same driver's license.
(Yamaguchi, in June)

[Case 3] Concealment of criminal proceeds related to a case involving a violation of the Act Regulating the Receipt of Contributions, the Receipt of Deposits, and Interest Rates
Group members including a self-styled handyman were arrested for violating the Act on Punishment of Organized Crimes and Control of Proceeds of Crime (concealment of criminal proceeds) after they had an unwitting third party receive a paper bag containing repayment money based on an illegal agreement requiring repayment by a borrower of non-statutory interest amounts.
(Shimane, in July)

(2) Examples of Receipt of Criminal Proceeds etc.

Predicate offences in cases involving the receipt of criminal proceeds cleared in 2023 consisted of, to a large extent, theft and fraud. 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 in connection with a violation of the Copyright Act

An unemployed male building owner was arrested for violating the Act on Punishment of Organized Crimes and Control of Proceeds of Crime (receipt of criminal proceeds) after he received part of the rent for a building occupied by a dealer of pirated DVDs with the knowledge that this rent consisted of proceeds from the sale of pirated DVDs. (Osaka, in January)

[Case 5] Receipt of criminal proceeds in connection with a theft case

A man operating a pharmaceutical wholesale business was arrested for violating the Act on Punishment of Organized Crimes and Control of Proceeds of Crime (receipt of criminal proceeds) for having purchased pharmaceuticals stolen by a group engaged in theft while being aware that such pharmaceuticals constituted stolen goods. (Hiroshima, in May)

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

There was a total of 54 cases cleared as money laundering related to Boryokudan in 2023, consisting of 39 cases of concealment of criminal proceeds and 15 of the receipt of criminal proceeds. This number accounts for 6.1% of all cases cleared as money laundering under the Act on Punishment of Organized Crimes in 2023.

Looking at ML crimes related to Boryokudan members by predicate offence, there were, among other figures, 17 cases of computer fraud, the category accounting for the highest number of cases, followed by 12 cases of fraud and 9 cases of theft. The modus operandi of money laundering cases seem 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 originate from prostitution offences and sex industry-related offences as protection money. This shows that Boryokudan commit a variety of offences and launder the criminal proceeds.

[Case 6] Concealment of criminal proceeds by a member of a group affiliated with the Inagawa-kai organized crime group in connection with a case of Telecom Fraud

A male member of a group affiliated with the Inagawa-kai organized crime group was arrested for violating the Act on Punishment of Organized Crimes and Control of Proceeds of Crime (concealment of criminal proceeds) after he used a cash card he had swindled from a victim of Telecom Fraud to deposit cash into an account in another person's name that is managed by a group engaged in Telecom Fraud. (Okayama, in April)

[Case 7] Concealment of criminal proceeds by a senior member of the Shinwa-kai organized crime group in connection with a case of theft

A highly ranked male member of the Shinwa-kai organized crime group was arrested for violating the Act on Punishment of Organized Crimes and Control of Proceeds of Crime (concealment of criminal proceeds) after he pretended to be another person by signing a false name at the time he sold aluminum sashes that he had stolen from a demolition site. (Kagawa, 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 2023, there were 93 cases related to foreign visitors to Japan, representing 10.5% of all cases. They consisted of 67 cases of concealment of criminal proceeds and 26 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 46 cases of fraud, the category accounting for the highest number of cases, followed by 27 theft cases, 10 cases of computer fraud, and 5 violations of the Immigration Control and Refugee Recognition Act. It can be seen that criminals of foreign nationalities operating in Japan use various methods to carry out money laundering, including the use of bank accounts in Japan opened in the names of other people when obtaining criminal proceeds, the use of someone else's illegally obtained electronic payment code, and the purchase of stolen goods, etc.

[Case 8] Concealment of criminal proceeds by Vietnamese nationals in connection with a Telecom Fraud case

Male Vietnamese nationals were arrested for violating the Act on Punishment of Organized Crimes and Control of Proceeds of Crime (concealment of criminal proceeds) as they had displayed a fake security warning screen on the victim's computer monitor while the victim was online, forced the victim to make a telephone call to the telephone number indicated on the fake security warning screen, forced the victim to download a remote-operations app, and then forced the victim to enter the victim's ID and password to access a bank account in the victim's name and transfer deposit credits in this account to an account in another person's name.

(Aichi, in June)

[Case 9] Receipt of criminal proceeds by a Vietnamese national in connection with a fraud case

A male Vietnamese national was arrested for violating the Act on Punishment of Organized Crimes and Control of Proceeds of Crime (receipt of criminal proceeds) for having his male acquaintance fraudulently open a bank account and knowingly obtaining a cash card that the same acquaintance had fraudulently received from the bank in exchange for forgiving his debt.

(Tochigi, in August)

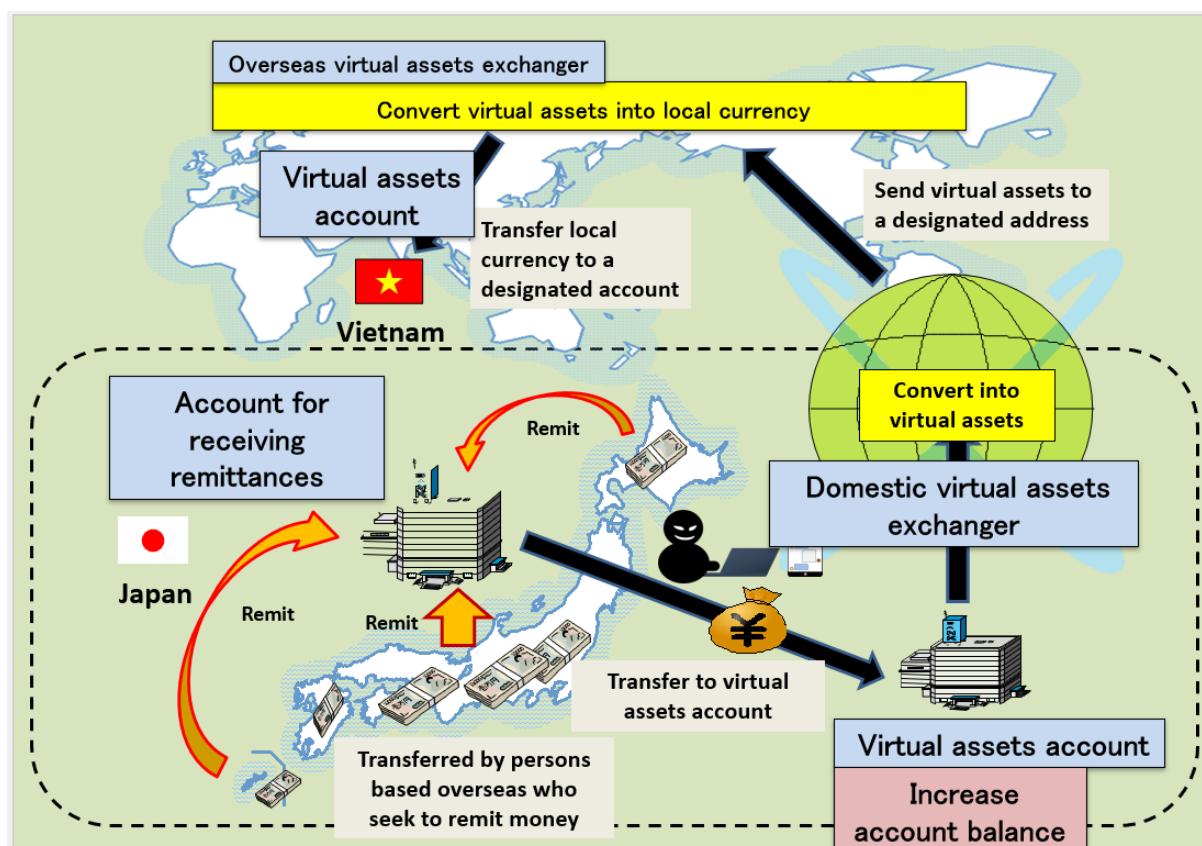
5. Cases of Cross-Border Money Laundering

Money laundering is carried out to conceal the true source, ownership, and nature of funds by, for example, disguising criminal proceeds of fraud committed overseas as legitimate funds, disguising criminal proceeds obtained by defrauding users of social networking and other services as legitimate funds for overseas remittance, and disguising the money flow of the criminal proceeds obtained by illegally staying aliens as legitimate overseas remittance through the use of underground banking mechanisms.

[Case 10] Concealment of criminal proceeds in connection with a violation of the Banking Act

Male Vietnamese nationals were arrested for violating the Act on Punishment of Organized Crimes and Control of Proceeds of Crime (concealment of criminal proceeds) for increasing the balance of their accounts by depositing part of the remittance deposit received from someone wishing to send money from Japan to the Socialist Republic of Vietnam into accounts in their own or another person's name, which had been fraudulently opened for the depositing of accounts for virtual asset trading.

(Kanagawa, 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 2023 was 21 cases (see Table 4-2).

In some cases, funds acquired through drug offences, including the smuggling of stimulants, are laundered. In these cases, offenders make customers deposit the payments for illegal drugs into a bank account in the name of another person.

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

Category \ Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Concealment of drug-related criminal proceeds, etc. (Article 6)	5 (3)	5 (3)	5 (4)	7 (3)	5 (2)	8 (6)	3 (1)	5 (2)	15 (2)	20 (3)
Receipt of drug-related criminal proceeds, etc. (Article 7)	2 (2)	3 (2)	3 (2)	1 (1)	2 (1)	1 (1)	0 (0)	4 (2)	2 (0)	1 (0)
Total	7 (5)	8 (5)	8 (6)	8 (4)	7 (3)	9 (7)	3 (1)	9 (4)	17 (2)	21 (3)

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 methamphetamine, etc.

A male drug trafficker sold methamphetamine and narcotics using social networking services and had customers deposit the payments for the drugs into 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). (Tottori in June)

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 2023 (on the request of judicial police officers) was 211 (see Table 4-3).

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

Category \ Year	2019	2020	2021	2022	2023
Cases	169(14)	150(20)	142(22)	162(19)	211(19)
Total amount of credit	348,965,441 yen	513,222,080 yen	507,211,792 yen	1,047,244,103 yen	1,044,378,165 yen
Others	Gold bullion: 414 Poker game machine: 9	Foreign currency: 24,755 euros Virtual assets (XEM, BTC) Gold bullion: 30 Pachinko game machine, etc.: 70	Regular passenger car: 3 Mini passenger car: 1 Beer coupon: 70 Gift certificate: 500 Pachinko game machine, etc.: 54	Camper: 1 Necklace: 1 Pachinko game machine, etc.: 45	Foreign currency: 1,000 euros Gift certificate: 33 Gold bullion: 105 Gold bars: 6 Land: 29,215 m ² Pachinko game machines: 18 units, and more

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 37 violations of the Amusement Business Act, the category accounting for the highest number of cases, followed by, among other figures, 36 cases of fraud, 27 cases of theft, and 27 violations of

the Immigration Control Act.

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 2023 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 restraint of criminal proceeds in a habitual gambling case. A temporary restraint order was issued against approximately 6.18 million yen in cash in connection with the purchase of points constituting property used for criminal purposes in relation to a habitual gambling case in which men running an Internet casino operation installed personal computers in the establishment and allowed customers to place bets.
(Kanagawa in January)

[Case 13] Temporary restraint of criminal proceeds in a case involving a violation of the Immigration Control Act. A temporary restraint order was issued against approximately 28.94 million yen in deposit claims constituting proceeds obtained through the dispatching of workers in relation to a case involving a violation of the Immigration Control Act wherein a male manager at a company engaged in contract bookbinding services hired foreign nationals with no status of residence and dispatched them as workers.
(Saitama, in March)

Paragraph 2 Temporary Restraining Order under the Anti-Drug Special Provisions Law
The number of Temporary Restraining Orders issued under the Anti-Drug Special Provisions Law in 2023 (on the request of judicial police officers) was 20 (see Table 4-4). For example, a Temporary Restraining Order was issued against proceeds from the trafficking of stimulants, cannabis, etc.

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

Year Category	2019	2020	2021	2022	2023
Cases	8(1)	18(6)	24(6)	23(5)	20(2)
Total amount of credit	4,153,977 yen	12,684,518 yen	32,712,378 yen	25,363,870 yen	45,427,415 yen
Others	Foreign currency: US\$ 1,800 TWD 72 MYR 95.6				Foreign currency: US\$900, 116.34 euros Investment trust beneficial interests Ordinary passenger car: 1 Wristwatch: 1 Real estate (land, buildings)

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 14] Temporary Restraining Order issued against drug-related criminal proceeds related to a stimulant trafficking case
Men who were trafficking methamphetamines were arrested under the Anti-Drug Special Provisions Law (transfer as business). A Temporary Restraining Order was issued against a total of approximately 26.36 million yen in cash and deposit claims that they had obtained from trafficking methamphetamines, a passenger car, and other items.
(Miyazaki, 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
2018	65	184,210	36	545,123	101	729,333
2019	89	1,005,016	77	988,705	166	1,993,721
2020	83	352,900	68	1,156,082	151	1,508,982
2021	72	217,888	62	1,476,380	134	1,694,268
2022	76	205,665	92	1,342,766	168	1,548,431

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
2018	36	5,138	204	269,902	240	275,040
2019	41	4,101	227	520,023	268	524,125
2020	66	7,681	211	152,426	277	160,107
2021	51	10,465	226	854,361	277	864,826
2022	56	5,678	223	860,989	279	866,668

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 and other violations of the Act on Prevention of Transfer of Criminal Proceeds in 2023 was 3,424, an increase of 358 cases over 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	2019	2020	2021	2022	2023
Transfer of deposit/savings passbook, etc.	2,479	2,539	2,446	2,951	3,230
Transfer of deposit/savings passbook, etc. (business)	44	18	27	18	43
Solicitation/inducement for transfer of deposit/savings passbooks, etc.	27	32	11	10	12
Transfer of exchange transaction cards, etc.	27	35	26	41	50
Transfer of information for crypto-assets exchange	0	6	23	46	89
Others	0	4	2	0	0
Total	2,577	2,634	2,535	3,066	3,424

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

In order to effectively implement anti-money laundering and counter the financing of terrorism measures, it is critical that every obligation imposed on specified business operators is properly enforced. For this purpose, every year the National Public Safety Commission prepares and publishes the National Risk Assessment-Follow-up Report, 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, National Public Safety Commission will, when there is non-compliance, exercise its supervisory power over the non-compliance in stating its opinion to the supervising administrative authority to take appropriate measures, such as issuing a rectification order against the specified business operator (except for lawyers) concerned.

Section 1 Collaborations with the Specified Business Operators

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

1. Background

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

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

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

Furthermore, in accordance with Article 3, paragraph 3 which is a new provision added as a result of the partial amendment of the Act on Prevention of Transfer of Criminal Proceeds in 2014, the National Public Safety Commission has been required to prepare and publish the National Risk Assessment-Follow-up Report every year since 2015, and in December 2023, the Commission published the report for 2023.

2. Purpose

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

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

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

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

The National Risk Assessment-Follow-up Report published in December 2023 presents the results of the analysis the broad risk of geographical, social, and economical environments surrounding Japan, crime trends, etc., and money laundering cases, etc., and evaluates risks in a comprehensive and multi-faceted manner based on the analysis of the inherent risks of misuse for ML/TF, and examples of misuse cases for ML, statistics about STR, and risk mitigation measures taken, regarding transaction types, countries and regions, customer attributes, and the products and services handled by specified business operators, etc. In addition, the National Risk Assessment Follow-up Report is required to include recent trends related to ML/TF based on the current situation, etc., including on the following.

- The analysis related to the main offenders of money laundering (Boryokudan, online and telephone fraud groups, crime groups of foreigners in Japan) has been deepened, particularly enriching the content regarding recent criminal circumstances surrounding online and telephone fraud;
- In light of the amendment to the Act on Prevention of Transfer of Criminal Proceeds in 2022, which added electronic payment instruments service providers as specified business operators, a risk assessment of `electronic payment instruments dealt with by electronic payment instruments service providers` was conducted and newly listed as main products and services with recognized risks;
- Referencing the FATF statements and reports, the risks associated with transactions involving Myanmar have been described, as well as international trends in ransomware and crypto-assets and the situation surrounding Japan;

The National Risk Assessment-Follow-up Report is published on the National Public Safety Commission's website and JAFIC's website.

4. Major Transactions Misused for ML, etc.

Table 5-1^{Note 1} shows the results of an analysis of cleared cases of ML crimes (during the three years from 2020 to 2022) and the major transactions misused for ML that were discovered in the course of investigations.

There were 584 cases of domestic exchange transactions, followed by 297 cases of cash transactions and 160 cases of deposit transactions, with the majority of transactions misused for money laundering involving products and services offered by deposit-taking financial institutions.

Note 1: Cited from 2023 National Risk Assessment-Follow-up Report.

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

Misused transactions Year	Domestic exchange transactions	Cash transactions	Deposit transactions	Credit Card	Prepaid payment instruments (Note 1,2)	Crypto assets	Legal persons	International transaction (such as foreign exchanges)	Funds transfer services	Precious metals and stones	Legal/accounting professionals	Foreign Currency Exchanges	Financial Instruments	Total
2020	110	120	96	20	11	32	14	16	1	2	1	1	0	424
2021	208	72	40	40	21	9	16	9	9	2	1	1	2	430
2022	266	105	24	55	39	16	6	7	10	1	1	0	0	530
Total	584	297	160	115	71	57	36	32	20	5	3	2	2	1,384

Note 1: Since 2023, the name "electronic money" has been changed to "prepaid payment instruments" in the National Risk Assessment-Follow-up Report.

Note 2: The figures for prepaid payment in 2020 and 2021 include transactions that corresponded to prepaid payment instruments within electronic money.

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 in March 2021. Required revisions were made to these FAQs in March and August 2022. Furthermore, for the steady implementation of the system development to respond to the Guidelines, the completion deadline (March 2024) was established in April 2021 for the matters required by the Guidelines to be responded to, and it was requested via the websites of individual business sectors' organizations and the FSA to develop the system. In June 2023, the "Current Status of and Issues Concerning Countermeasures Against Money Laundering and the Financing of Terrorism and Proliferation" was updated and a report on changes in risks surrounding financial institutions, etc., and the state of compliance on the part of businesses under the jurisdiction of the FSA at that point in time was released.
- In November 2023, the Ministry of Finance(MOF) established the "Guidelines for Foreign Exchange Transactions Service Providers on Compliance with the Foreign Exchange Act and Its Regulations, etc ." based on the amendments of Foreign Exchange and Foreign Trade Act as a reorganization of the previous foreign exchange inspection guidelines. The guidelines require that currency exchange operators identify, analyze, and assess the risks of violations related to economic sanctions, including ML/TF/PF, and implement risk mitigation measures according to these risks, as well as ensure ongoing customer due diligence. In addition,the guidelines also

require the preparation of necessary frameworks to implement steadily as same as the previous one regarding the matters for which actions are required by the Guidelines.

- In October 2021, the Ministry of Agriculture, Forestry and Fisheries (MAFF), and the the Ministry of Economy, Trade and Industry (METI) conducted necessary amendments for the Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism in the Commodity Derivatives Business to implement a more effective system development. In addition, for the steady implementation of the system development to respond to the Guidelines, the completion deadline (March 2024) was established for the matters required by the Guidelines to be responded to, and it was requested via business lobby groups to develop the system.

The status of the development of a system is to be checked through documents submitted by business operators and business operators who are due to renew their licenses are asked to indicate in their license renewal documents the current state of any efforts to address matters to be addressed as set forth in these guidelines and the contents of their plans to address these matters by the deadline.

Beginning in June 2023, business reports that commodity futures traders are mandated to submit periodically by the Commodity Futures Trading Act (within three months of the end of the given fiscal year) need to include the state of any efforts to address matters to be addressed as set forth in these guidelines (as of the end of the fiscal year).

- In August 2019, 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 develop an effective system concerning AML/CFT measures by Credit Card Business, 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 2022, the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) established the Guidelines for Anti-Money Laundering and Combatting Terrorist Financing in Real Estate Agency Business and informed the relevant members of these Guidelines via business lobby groups.
- In February 2022, METI established the Guidelines for Anti-Money Laundering and Combatting Terrorist Financing in Dealers of Precious Metals and Stones, and based on these Guidelines, conducted public awareness activities targeting business operators concerning anti-money laundering measures, etc.
- In December 2021, METI established the Guidelines for Anti-Money Laundering and Combatting Terrorist Financing in the Postal Receiving Service Business, and since 2022, METI has been conducting inspections and providing supervision according to the policy and guidelines.
- In March 2022, the Ministry of Internal Affairs and Communications (MIC) established the Guidelines for Anti-Money Laundering and Combatting Terrorist Financing in Telephone Receiving/Telephone Forwarding Service Business, and based on these Guidelines, conducted public awareness activities targeting business operators concerning money laundering measures, etc.

(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 2023, it held 105 lectures and seminars for the development of systems of financial institutions in Japan.
- In June 2023, MAFF organized seminars for the relevant personnel of prefectural government employees to raise their awareness of the need for efforts to improve AML/CFT measures, etc.
- In July 2023, the National Police Agency (NPA) dispatched officials to a training course for foreign exchange inspectors organized by the MOF, where an outline of the Act on Prevention of Transfer of Criminal Proceeds was explained.
- In May 2022, the MAFF and the METI endeavored to raise the level of system development by holding a briefing session (jointly with industry associations) on complying with the “Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism in the Commodity Futures Trading Sector”.

(2) For real estate agents

Each regional development bureau, etc., and each prefectural government carry out an “onsite inspection of real estate agents” of building lots and buildings transaction business operators every year to examine the status of the preparation of verification records and transaction records of customers, etc., which is required under the Act on Prevention of Transfer of Criminal Proceeds. Furthermore, in March 2023, a request to further strengthen guidance and supervision was made to each regional development bureau, etc., and each prefectural government.

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

(3) For dealers in precious metals and stones

In October 2023, METI subjected dealers of precious metals and stones, etc., to an “inspection of the status of the implementation of the Act on Prevention of Transfer of Criminal Proceeds” in order to ascertain the status of the performance of obligations, including the obligation to verify at the time of transactions as set forth in the Act on Prevention of Transfer of Criminal Proceeds, and it made sure that these dealers are familiar with the matters relating to compliance with laws or regulations.

(4) For postal receiving service providers [new]

METI organized information on the actual situation and issues, as well as the risk of the illegal use of a postal receiving service provider, and it also developed the Guidance document for postal receiving service providers, which includes the efforts made to prevent illegal use. In addition, an explanatory movie has been posted on METI’s website since July 2019.

(5) For telephone receiving/telephone forwarding service providers [new; previously included in the section for other measures]

In August 2023, the MIC sent a document describing the outline of the Act on Prevention of Transfer of Criminal Proceeds and CDD matters to telephone receiving/forwarding service providers to improve their understanding of the information that they need to identify and of the need to keep records as specified business operators.

(6) For certified public accountants

In February 2023, the NPA dispatched officials to a training course for certified public accountants etc., organized by the Japanese Institute of Certified Public Accountants (JICPA), where an outline of the Act on Prevention of Transfer of Criminal Proceeds was explained.

(7) For certified public tax accountants

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 (JFCPTAA). 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 2023, the NPA visited banks and other financial institutions as well as virtual asset exchange service providers individually, and it also conducted opinion exchanges with the Japan Consumer Credit Association (JCA) and Japan Virtual and Crypto Asset Exchange Association in August of the same year and with the Japan Payment Service Association (JPSA) in September of the same year to explain the matters that they need to pay attention to for STR reporting.

4. Other Measures

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

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

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

(2) PR through the NPA website

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

- NPA Website

<https://www.npa.go.jp>

- JAFIC Website

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

Section 2 Efforts of Specified Business Operators

1. Bank Industry

The Japanese Bankers Association (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, 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 antisocial 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. In addition to extending support for measures to members, the JBA established the AML/CFT Support Office to provide further support for its member banks for their AML/CFT efforts through the promotion of a cooperative approach. (In 2023, operations related to the promotion of a cooperative approach were transferred to the Cooperation Agency for Anti-Money Laundering, which is mentioned below.)

In 2019, the JBA began to continuously conduct activities, which remain ongoing to this day, 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 antisocial forces, at the start of a transaction and during the course of continuous customer management) and transaction monitoring (which means to determine whether a transaction is an unnatural or suspicious transaction at the start of a transaction and during the course of continuous customer management) during a research project performed for the New Energy and Industrial Technology Development Organization (NEDO) to examine if it is possible to strengthen the current procedures and make them more efficient. A certain result was achieved.

Since 2021, based on the results of the research project performed by NEDO, JBA established the AML/CFT Joint Operation Task Force for the organization and review of issues towards achieving joint-operation measures of AML/CFT work. A new company, the Cooperation Agency for Anti-Money Laundering, was established in January 2023 in accordance with the following corporate mission: "In light of the global demand for measures against money laundering and other issues, and our nation's policy on responding to the demand, we, as an organization consisting of financial institutions and the like under the system of mutual aid, shall promote the improved viability and effectiveness of measures against money laundering etc. as well as the increased sophistication and efficiency of work, in order to ensure security and safety for all citizens and thereby contribute to the healthy development of economic activities." Preparations are now underway for the launch of operational upgrading support services slated for 2024.

In 2023, preparations have been underway for revisions to be made in 2024 to a training handbook for members released in 1992. These revisions will include enhanced

explanations of specific procedures related to money laundering and explanations of the underlying international situation (such as in terms of the FATF's mutual evaluation of Japan) and basic concepts behind money-laundering measures (including with respect to a risk-based approach and ongoing customer management).

The Regional Banks Association of Japan and the Second Association of Regional Banks held a total of ten study sessions taught by officials with the FSA between October 2021 and June 2022 in order to help members meet the deadline for preparations required to be made by the end of March 2024. At these study sessions, explanations were provided, and question-and-answer sessions were undertaken for each of the following themes: the FSA's Guidelines for AML/CFT and FAQs on the Guidelines for AML/CFT. The contents thereof were made available through the production and provision of the minutes of meetings and study session summary documents (commentaries). In order to help members resolve practical issues and concerns that arose in the course of developing their systems, study sessions on individual topics taught by officials with the FSA were held in line with the needs of members between October 2022 and June 2023.

2. Shinkin Banks (Credit Unions)

The National Association of Shinkin Banks (NASB) established the Shinkin Banks Action Ethics Program, under which it is aiming for "strict observance with laws, regulations and rules" and the "severance of relationships with antisocial 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 antisocial forces.

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

In April 2021, given the situation in which the FSA set the deadline of the end of March 2024 and requested specified business operators, which are under FSA's control, to complete the response to the items for which a response had been requested in the FSA's Guidelines for AML/CFT and to develop the system, NASB held nine classes of the Study Group on Anti-Money Laundering, with officials of FSA as lecturers, from December 2021 until May 2022, in order to help shinkin banks meet the deadline for system development. In the study groups, commentaries and question-and-answer sessions were conducted for each of the themes on the Guidelines for AML/CFT and the FAQs on the Guidelines for AML/CFT, and the contents were made available through the following steps: (1) the delivery of an explanatory movie, (2) the preparation and provision of lecture records and Q&As, and (3) the creation and provision of a summary document (Key Factors for System Development in Light of Guidelines concerning Money-Laundering) (commentaries) for all the study sessions. In order to help each shinkin bank resolve practical issues and concerns that might arise in the course of developing its system, study sessions on individual topics taught by officials with the FSA were held six times in line with the needs of members between November 2022 and June 2023 and information was likewise provided through (1) the delivery of an explanatory movie and (2) the preparation and provision of Q&As. In October 2023, examples of regulations based on the contents of commentaries were distributed. In November of the same year, a briefing session to discuss an outline of these examples was held.

In addition, as activities pertaining to continuous customer management, which is an issue in the financial world, the NASB has been providing support to its members, including (1) creating and distributing a leaflet explaining the "business points for

continuous customer management" (May 2020), (2) providing information on the policy for the application of "simple management of customers" (October 2020), (3) preparing tools to raise awareness and advertise in order to broaden customers' understanding of the activities of continuous customer management (a video was created to be played at banks in May 2020, and leaflets were prepared with the names of the FSA and the NASB printed on them to be presented and distributed to customers in August 2021).

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

3. Labour Bank Industry

The Rokinren Bank(The Federation of Labour Banks) amends the Basic Regulations for Deposit and Other Bank Operations or the Manual of CDD Procedures, etc., which are the standards used in the industry so that each labor bank can prevent ML/TF appropriately. To provide labor banks with support for the development of systems, commentaries summarizing points on the framework of risk management required by the FSA's Guidelines for AML/CFT and FAQs on the Guidelines for AML/CFT and the relationships among the standards for these systems were provided. Individual discussions pertaining to the development of systems were held with officials from each labor bank. In addition, officials with the FSA and the Ministry of Health, Labour and Welfare were invited to discussions held twice with the executives of each labour bank.

Since April 2023, information on existing customers and the purposes of their transactions, among other matters, have been subject to periodic checks when existing customers visit and by sending postcards to existing customers in order to enable risk assessments to be conducted based on the most up-to-date information on customers.

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 labour 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 FAQs on the Guidelines for AML/CFT, and the MOF's Foreign Exchange Inspection Guidelines, etc., in the industry as appropriate.

4. Credit Cooperatives

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

To support highly enhanced system development by its members, NCSCC has provided regulations and the like (reference examples) reflecting the amended content of FSA's Guidelines for AML/CFT, and FAQs on the Guidelines for AML/CFT, and the National Risk Assessment-Follow-up Report (such as Basic Regulations for AML/CFT Measures, risk assessment document, and manual on preparation of risk assessment document). Between December 2021 and May 2022, a total of ten study sessions taught by officials with the FSA were held and the contents were made available through the following steps: (1) the delivery of an explanatory movie, (2) the preparation and provision of lecture records and Q&As, and (3) the creation and provision of a summary document (Summary of Study Sessions Concerning AML/CFT Held With the FSA's Money-Laundering Team) for all the study sessions. In order to help each credit union resolve practical issues and concerns that might arise in the course of developing its system, study sessions on

individual topics taught by officials with the FSA were held five times in line with the needs of members between November 2022 and June 2023.

In order to help members obtain the understanding and cooperation of customers concerning AML/CFT measures and other matters, NCSCC has prepared and provided to members, in collaboration with the FSA, an explanatory leaflet for customers (a leaflet on updating customer information pertaining to continuous customer management) and a video for raising customer awareness (request for cooperation on AML measures).

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

5. Agricultural Cooperatives and Fishery Cooperatives

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 MAFF and the FSA, the agricultural cooperatives and fishery cooperatives have been addressing system development efforts encompassing further enhancement of the reconfirmation of customer management information and transaction monitoring and transaction filtering, based on the FSA's Guidelines for AML/CFT, and FAQs on the Guidelines for AML/CFT.

6. Life Insurance Industry

The Life Insurance Association of Japan (LIAJ) works to ensure appropriate AML/CFT measures by its members by incorporating AML/CFT and antisocial 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 2023, in a continuation of actions carried out in 2022, the Project Team worked on enhancing AML/CFT measures for the entire life insurance industry, including sharing information with members regarding the AML/CFT measures taken by the competent administrative authorities and other types of financial institutions, etc., and through information sharing, etc., related to the public disclosure of the FATF Fourth Round Mutual Evaluation Report of Japan.

7. Non-Life Insurance Industry

The General Insurance Association of Japan (GIAJ) has made efforts to prevent ML/TF by

aiming to establish "guidelines for compliance with laws and regulations, etc." and "guidelines for severing relationships with antisocial forces" in the Code of Conduct.

So far, the 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 2023, the guidebook for member companies was revised (by way of a review of statements concerning documents for personal identification) in response to amendments made to the Ordinance for Implementation of the Act on Prevention of Transfer of Criminal Proceeds.

In April 2018, GIAJ established a project team, which serves as a platform on which its members can learn about the partial amendment of the ministerial orders related to foreign exchange, etc., as well and continuously share information and opinions.

8. Securities Industry

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 JSDA Members.

At the practical level, relevant organizations, such as securities companies, the 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 antisocial forces from the industry and the prevention of ML/TF through information exchanges at the field level or in seminars.

Additionally, the 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 (NPSC) and the NPA. The Center checks customers' involvement with antisocial groups upon a member's request, using its verification system connected to the NPA's database.

In response to amendments made to laws and regulations, opinions were solicited from JSDA members and submitted to the FSA on the publication of the draft Cabinet Order to partially revise the Order for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds.

Furthermore, the JSDA summarized and disseminated to its members, in accordance with the FSA's Guidelines for AML/CFT and Outline of and Views on Comments with respect to these guidelines, the "Practical Treatment and Points to Note for the 'Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism' in How to Respond to ML/TF in a Financial Instruments Business," which contains examples of and points to note on practical responses in a financial instruments business (especially, a securities-related business) of JSDA members. In addition, published statements by the FATF as well as notifications of transactions suspected of being tied to terrorists or Taliban-related persons and other matters concerning compliance with laws and regulations related to transactions tied to persons involved in WMD-related programs are being disseminated to JSDA members one after another.

The 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

In order to prevent ML/TF and damages caused by antisocial 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 antisocial 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 antisocial forces.

In addition, training sessions for system development are being held for and videos depicting such training sessions are being distributed to money lenders as required by the FSA's Guidelines for AML/CFT.

In fiscal year 2023, JFSA also worked to enhance the system to prevent ML/TF and damage by antisocial groups in the moneylending industry by, for example, formulating and publishing a self-check list based on the Guidelines for AML/CFT and revising guidelines on formulating internal rules in order to promote progress in terms of the development of systems pertaining to matters requiring actions to be taken as set forth in the FSA's Guidelines for AML/CFT.

10. Fund Transfer Industry

The 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. From time to time, the JPSA reviews the self-regulation rules and model internal rules in light of amendments to the Act on Prevention of Transfer of Criminal Proceeds and FSA's Guidelines for AML/CFT, etc. It also prepares FAQs about the Act on Prevention of Transfer of Criminal Proceeds and the Foreign Exchange and Foreign Trade Act and revises the FAQs in response to amendments made to the Act on Prevention of Transfer of Criminal Proceeds, amendments made to the Foreign Exchange and Foreign Trade Act, as well as amendments made to the Ministry of Finance's "Foreign Exchange Inspection Guidelines." It also actively works to ensure its members understand the revised rules as well as various other types of information, including the FSA list of persons subject to asset freezing and information on finance-related measures against North Korea, etc., on its member website.

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

Furthermore, in March 2022, as a PR activity for promoting understanding among general customers of the need for AML/CFT, leaflets titled "Notice to customers using funds transfer companies" and "Understanding and cooperation requested regarding regular verification of customer information by funds transfer companies" were prepared jointly

with the FSA. The leaflets can be found on the webpage of the JPSA, and the JPSA supports efforts by members to make these leaflets available for downloading and through other channels for purposes of publicity and awareness-building targeting customers.

In order to further bolster and upgrade the development of systems across the industry in relation to AML measures, a total of eight study sessions pertaining to AML measures as taught by officials with the FSA were held between December 2022 and June 2023 in collaboration with the FSA. Detailed explanations and Q&A sessions with members were held for each matter to be addressed as set forth in the FSA's Guidelines for AML/CFT and FAQs on the Guidelines for AML/CFT. The JPSA distributed explanatory videos of briefing sessions and prepared and provided the minutes of their proceedings. The JPSA also produced and provided to members reference materials summarizing points on addressing matters to be addressed as set forth in the Guidelines based on the minutes of their proceedings and relevant matters to be kept in mind (commentaries) in September 2023.

In November 2023, a meeting to field questions pertaining to the development of regulations on AML measures and other matters was held in collaboration with the FSA. At this meeting, four member business operators introduced examples of initiatives concerning their own AML measures, and the Financial Services Agency presented explanations and organized a discussion with respect to questions posed by members. Support for initiatives by members to develop systems was extended, such as through the wide sharing of questions, concerns, and examples of initiatives pertaining to the development of regulations and other matters.

11. Virtual Assets Exchange Industry

In accordance with the FSA's Guidelines for AML/CFT, the Japan Virtual and Crypto Assets Exchange Association (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 the said Rules and Guidelines, the JVCEA developed and published a set of self-regulation rules, including the Rules Regarding the Severance of Relationships with Antisocial Forces Related to Virtual Asset Exchange Services and the Rules Regarding the Severance of Relationships with Antisocial Forces in connection with Derivatives Related to Virtual Assets, and the abovementioned Rules and Guidelines.

The above self-regulation rules have been reviewed in accordance with the amendment, etc. of laws and regulations and the FSA's Guidelines for the AML/CFT measures. Partial amendment was made on parts, etc., citing the amended part of the FSA's Guidelines (partially amended in February 2021), of the Rules and Guidelines for AML/CFT Measures on Virtual Assets Exchange Services and the Rules and Guidelines for AML/CFT Measures on Derivatives Related to Virtual Assets.

Also, in response to developments such as the addition of virtual asset-related items in the FATF Recommendations, the JVCEA continues to promote various efforts with the utmost priority toward enhancing the AML/CFT system in the industry. Specifically, the JVCEA has carried out reviews and consultations based on its self-regulation rules through the activities for the early improvement of members' system development and detection abilities based on a risk-based approach and the monitoring of the CDD system and the STR reporting of members. Furthermore, the FATF Standards, which were amended in 2019, introduced regulations (so-called travel rules) that imposed on the transfer of virtual assets via crypto-assets exchange service providers the same notification obligation as that of an electronic money transfer. In response to this amendment, JVCEA worked on specific actions, for example, by introducing travel rules to the self-regulation rules entitled the "Rules for AML/CFT Measures on Virtual Assets Exchange Services" starting in April 2022 in advance of amendments to the Act on Prevention of Transfer of Criminal Proceeds

that were implemented in June 2023. In order to raise the level of the development of AML/CFT systems on the part of virtual asset exchangers and with a view to fully implementing the matters to be addressed by March 2024 as set forth in the FSA's Guidelines for AML/CFT, reference materials that more specifically expounds on these guidelines and the FAQs on the Guidelines for AML/CFT (commentaries) have been produced and various initiatives have been promoted, such as in terms of providing guidance on self-inspections, exchanging opinions with the FSA, and inviting FSA officials to teach study groups on these guidelines.

In order to prevent damage from fraud using virtual assets in fiscal year 2023, it was decided that a greater focus would be placed on improving financial literacy in hopes of improving literacy as it pertains to such topics as the risks to users. Various lectures for consultants at the National Consumer Affairs Center of Japan^{Note 1} are among the initiatives being promoted in this area.

12. Commodity Futures Industry

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 improve the effectiveness of such exclusion, the CFAJ established its self-regulation rules titled the Rules on Exclusion of Antisocial Forces. It has also developed a system for verifying whether customers conducting derivative instrument transactions are antisocial forces and accepts inquiries from members since April 2019.

Moreover, in July 2020, a part of listed commodities of Tokyo Commodity Exchange, Inc. was transferred to Osaka Exchange, Inc. (merged exchange). In association with it, CFAJ partially amended the user policy of the system for verifying whether customers conducting derivative instrument transactions are antisocial forces so that the members of CFAJ, which handle only transactions of commodities transferred as financial instruments business operators (market derivatives related to commodities) can continue to perform such verification.

The CFAJ also revises and provides members with FAQs about the Act on Prevention of Criminal Proceeds and Cabinet and Ministerial Ordinances of such Act to promote understanding about the specific measures for futures commission merchants to take.

In October 2021, the MAFF, and the METI partially amended the Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism in the Commodity Derivatives Business. In response, CFAJ partially amended the "Practical Treatment and Points to Note for the 'Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism in the Commodity Derivatives Business,' How to Respond to ML/TF" and explained the content of the amendment in an explanatory meeting conducted by MAFF and METI in May 2022, aimed at responding to the Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism in the Commodity Derivatives Business.

13. Electronic monetary claims recording institutions

Electronic monetary claims recording institutions, as specified business operators, are working to reinforce AML measures, such as by reassessing the risk that criminal proceeds might be transferred in their operations based on the contents of the National Risk

Note 1: Including the delivery of lectures on the characteristics of virtual assets to the National Police Academy.

Assessment-Follow-up Report as published by the NPSC each year, and other relevant documents, as well as by producing documents prepared by specified business operators utilizing their results, notifying their results to participating financial institutions, and asking that they take action accordingly.

In addition, some institutions also participate in AML/CFT liaison meetings held within their group companies, share information on the latest trends and case studies, and provide AML/CFT training for all of their employees.

14. Foreign Exchange Industry

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

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

15. 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 2023, the JLA provided a virtual professional training session on the AML/CFT measures, mainly for managers of leasing companies, during an annual training program (advanced course). Furthermore, it provided an online lecture on preventing leases that are at high risk of money laundering during the training program (basic course) for persons in charge of the actual work at leasing companies. Examples of such leases include: fictitious leasing, in which a leasing company is made to transfer the price of products to a seller of the products; and multiple leasing, in which a lease contract is executed with multiple leasing companies for one property for lease in order to raise funds. In addition, the JLA conducted a follow-up investigation in September 2020 to examine the status of implementation of the Guidelines for Anti-Money Laundering and Combatting the Financing of Terrorism in the Finance Leasing Industry, established in September 2019, to raise more awareness in the industry. In 2021, a request for correcting the deficiencies was made in February of the same year to members that have deficiencies in their transactions, found as a result of the investigation, and in May of the same year, the corrected content was confirmed. Thereafter, follow-up investigations are to be conducted each year.

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

16. Credit Industry

The 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 2022, information pertaining to money laundering and other topics was provided at information liaison meetings for members across all nine regions nationwide (July 2022 to February 2023) and a video of a briefing session related to actions to be taken by credit card companies based on the amended Guidelines for AML/CFT in the Credit Card Sector was distributed to members (May to July 2022).

In 2023, information pertaining to money laundering continued to be provided at information liaison meetings held nationwide. In June, a second briefing session was held in the form of face-to-face interactions and through the distribution of a video to disseminate matters concerning compliance with these guidelines, which were set to expire at the end of March 2024.

17. Real Estate Industry

In December 2007, the real estate industry established the Liaison Council for Preventing Transfer of Criminal Proceeds and Preventing Damage by Antisocial 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 antisocial forces. It is proceeding with measures to share information on the Act on Prevention of Transfer of Criminal Proceeds, including efforts such as letting the whole industry reach an agreement on the development of a system controlling the implementation of CDD measures, etc., appointing a responsible officer for the operation of the system within the relevant business operators, and also preparing and distributing a handbook explaining the need for and basic knowledge about these initiative, etc., to member real estate agents through a trade association.

In November 2022, the Association of Real Estate Agents of Japan held a lecture on the FATF evaluation results and on the Guidelines for AML/CFT Measures on Building Lots and Buildings Transaction Business Operators by inviting officials of the MOF and the MLIT and distributed the contents of the lecture to member companies on its website.

18. Precious Metals and Stones Industry

In 2023, the Japan Jewelry Association (JJA) continued to distribute, via e-mail, awareness-building documents containing information such as an outline of the Act on Prevention of Transfer of Criminal Proceeds and the obligations of business operators provided for under the law, in order to raise awareness of the legal system among consumers and business operators in the industry. Furthermore, the JJA distributed such documents to people visiting the jewelry exhibition that was held in late August for the purpose of drawing people's attention to these matters, and the JJA is also informing the relevant people in the industry, etc., about the Act and drawing attention to it through a special webpage for the Act on its website.

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

The Japan Gold Metal Association (JGMA) holds regular seminars to work on raising awareness among its members on the Act on Prevention of Transfer of Criminal Proceeds. In November 2023, concerning the Guidelines for Anti-Money Laundering and Combatting Terrorist Financing in the Jewelry and Precious Metals Business that were formulated by METI in February 2022, JGMA invited lecturers from METI to hold seminars and to raised awareness about AML/CFT etc. pursuant to said Guidelines. JGMA requires its members to strictly check import documents when purchasing gold bullion brought into Japan from overseas, which it posts on the JGMA website to make sure it is widely known to the relevant parties in the industry. The JGMA distributed an informational document to its members in July 2021, regarding the outline of the Act on Prevention of Transfer of Criminal Proceeds publicly disclosed by JAFIC and the amended content of the Ordinance

for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds. The JGMA has also distributed posters etc. to raise awareness for the legal system among consumers and businesses in the industry with the support from METI.

19. Secondhand Goods Dealers

In 2023, the Japan Reuse Affairs Association and the Antique Dealers Federation of Tokyo continued to work on raising awareness among their members on AML/CFT measures, such as distributing their handbooks to their members, etc., which explain the obligations under the Act on Prevention of Transfer of Criminal Proceeds that dealers must comply with when trading precious metals.

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

20. Bar Associations

The Japan Federation of Bar Associations (JFBA) has worked on promoting AML/CFT measures in the context of legal services, with an awareness of the importance to the industry of the AML/CFT aspects. As part of such efforts, the JFBA developed the CDD and Recordkeeping Rules and Regulations. These Rules and Regulations require that lawyers conduct CDD and preserve records for certain legal services, and that they refrain from accepting requests whenever there is a risk of transfer of criminal proceeds. The Regulations and Rules came into effect in March 2013. The Guidelines and Rules were partially revised following the partial amendment of the Act on Prevention of Transfer of Criminal Proceeds in 2014. JFBA revised the Rules in December 2015 and the Regulations in January 2016. The revised Rules and Regulations came into force on October 1, 2016.

In December 2017, the Rules and Regulations were partially amended following a resolution of the special assembly and a resolution of the JFBA board respectively, in order to add a provision that requires members of the JFBA and bar associations nationwide 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.

Based on trends described in the FATF Fourth Round Mutual Evaluation Report of Japan and contents of the partial amendment of the Act on Prevention of Transfer of Criminal Proceeds in December 2022, the Rules and Regulations were partially revised in March 2023 to include the addition of matters for confirmation other than matters concerning the personal identification of clients (purpose of request, nature of occupation and business, substantial controlling party, and assets and income) and the clarification of stipulations in the Form for the Assessment of Money Laundering Risks in Attorneys' Services before undertaking an offer.

As described above, the JFBA has been engaged in AML/CFT measures of lawyers since the past, and in order to further promote such measures, it is presently working to advance AML measures primarily through the JFBA Anti-Money Laundering Measures Promotion Council, which was established in June 2022.

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 nationwide as necessary. Furthermore, by utilizing the above reference materials, etc., JFBA regularly holds nationwide study groups with the persons in charge in the Bar Association.

In “Jiyū to Seigi”, the JFBA has regularly included articles on the Rules and Regulations and AML/CFT measures in the context of legal services, etc., in order to raise awareness. In addition, the JFBA Newspaper, Committee News, and Fax News have also regularly and on an extraordinary basis included articles on AML/CFT measures.

21. Judicial Scriveners Associations

The Japan Federation of Shiho-shoshi’s Associations (JFSA) has worked on AML/CFT measures required in the context of judicial scrivener services. As part of such efforts, the JFSA partially amended its Standards for Regulations of Shiho-shoshi’s Associations, which include the obligations to identify customers, and keep records of clients, etc., requiring that each Shiho-shoshi’s Association to amend its regulations, and it established “the Standards for rules to identify customers”, and the Guidelines for Judicial Scrivener Services in Relation to the Prevention of Transfer of Criminal Proceeds. The JFSA has also worked to ensure that the members of Shiho-shoshi’s Associations become familiar with the rules to identify customers and recordkeeping in relation to the services they provide, as well as AML/CFT measures through the relevant Shiho-shoshi’s Association.

While the Shiho-shoshi’s Associations will provide their members with guidance on specific services, the JFSA has strengthened the AML/CFT measures by establishing a department for considering to respond to 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, JFSA requested the Shiho-shoshi’s Associations to select persons in charge related to AML/CFT measures, and held explanatory meetings in September 2021 and February 2023 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 2023 as well. Furthermore, in July 2022, JFSA made Q&As for responding to the results of the FATF Fourth Round Mutual Evaluation Report of Japan and provided it to the Shiho-shoshi’s Associations.

The Shiho-shoshi’s 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 operations set forth in the Act (Specified Incident Reports) every year to ensure that the members perform their duties appropriately to prevent the transfer of criminal proceeds, etc. The JFSA amended the regulation of JFSA in 2019 to require each Shiho-shoshi’s Association to provide the JFSA with aggregate figures related to Specified Incident Report submitted by their members. In fiscal year 2020, the JFSA examined and analyzed the Specified Incident Report submitted by members, and also collected specific examples of suspicious transactions in the specified operations set forth in the Act on Prevention of Transfer of Criminal Proceeds. This was done in consideration

of the need to provide the members with actual examples of suspicious transactions unique to judicial scrivener 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 JFSA issued FAQs on the handling of actual work under the Act on Prevention of Transfer of Criminal Proceeds for judicial scriveners 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's Associations through the Associations. The JFSA also issued explanations of Specified Incident Reports and announced it the members of the Shiho-shoshi's Associations through the Shiho-shoshi's Associations so that the members can refer to the explanations when preparing Specified Incident Reports. In October 2020, the JFSA reviewed items to be reported in Specified Incident Reports to make it easier for members of the Shiho-shoshi's Associations to prepare Specified Incident Reports. In 2023, in a continuation of actions carried out in 2022, the JFSA has been conducting a study to formulate a guideline for a risk-based approach (tentative title).

The JFSA also prepared a training DVD on the trends in AML/CFT measures and judicial scrivener services, etc., in March 2019, a training DVD related to Specified Incident Reports in November 2019, and a training DVD on AML/CFT measures and on the contents of dealing with respond to FATF in September 2022. The JFSA distributed the DVDs to the Shiho-shoshi's Associations and also posted them in its training library which, they are available to the members of the Shiho-shoshi's Associations to promote their understanding. In 2023, the JFSA considered to prepare a training DVD related to the amended Act on Prevention of Transfer of Criminal Proceeds and its distribution to the Shiho-shoshi's Associations.

In addition, the JFSA, the eight regional Shiho-shoshi's Associations, and each Shiho-shoshi's Associations hold training sessions for current and new members of the Shiho-shoshi's Associations on matters pertaining to identify customers as a duty of judicial scriveners, to conduct verification at the time of transaction and recordkeeping obligations under the Act on Prevention of the Transfer of Criminal Proceeds.

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

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

22. Association of Certified Administrative Procedures Specialists

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) compiled the Handbook on Customer Identity Verification under the Act on Prevention of Transfer of Criminal Proceeds, which it has distributed to all members through each prefecture's association of administrative scriveners (hereinafter referred to as "unit association"). In addition, JFCAPSA is working to keep its members informed by posting relevant information to a website for its members and releasing a video related to identity checks under the Act on Prevention of Transfer of Criminal Proceeds.

The Ethics of Administrative Scriveners, which sets forth the basic stance for fulfilling the mission of administrative scriveners, stipulates that the identity of a client be confirmed through an appropriate method when undertaking operations. Presented with the opportunity to train new employees and provide compliance training, JFCAPSA and unit associations have been working to thoroughly raise awareness of the checking of matters for the identification of clients, the production and retention of records of checks and

transactions, and the development of books related to operations as set forth in the Act on Administrative Scriveners.

In fiscal year 2023, these actions continued to be implemented. The aforementioned handbook was revised to prepare for the enforcement of the amended Act on Prevention of Transfer of Criminal Proceeds, which was enacted in December 2022 (and is slated to fully come into force by June 8, 2024). All members were mandated to undergo general ethics training (August 2023). In this and other ways, efforts were made to maintain and reinforce compliance with laws and regulations, such as the Act on Prevention of Transfer of Criminal Proceeds, and awareness of ethics.

23. Japanese Institute of Certified Public Accountants

The JICPA holds an ongoing training course aimed at raising awareness about the details of the recommendations for designated nonfinancial businesses and professions (DNFBPs) in the report on the FATF Fourth Round Mutual Evaluation of Japan publicly disclosed in August 2021, and an outline of the Act on Prevention of Transfer of Criminal Proceeds, as well as the need for AML/CFT measures.

The JICPA disseminates information on the Act on Prevention of Transfer of Criminal Proceeds, AML/CFT and other matters from time to time through the association website for its members in order to thoroughly familiarize them on these issues. The JICPA also conducts a survey every year in order to ascertain the actual situation of the members' compliance with the Act on Prevention of Transfer of Criminal Proceeds, AML/CFT and other matters. Furthermore, translations of publications on AML/CFT and other matters released by the International Federation of Accountants (IFAC) and other bodies are available on the JICPA's website and disseminated to members.

In addition, the JICPA operates a quality management review system for reviewing the status of the management of audits conducted by audit companies or certified public accountants in order 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. The question as to whether an audit firm has properly set forth a policy and procedures for handling checks to be conducted when transactions related to specified transactions as set forth in the Act on Prevention of Transfer of Criminal Proceeds are carried out is prescribed in the Procedures for Reviewing Quality Management Systems as an item to be confirmed in a quality control review.

24. Certified Public Tax Accountants' Association

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

The JFCPTAA posted an article titled "AML/CFT measures necessary for certified public tax accountants" in the JFCPTAA newsletter in March 2018 and an article titled "The risks of money laundering surrounding certified public tax accountants" in June 2019. In November 2018, the JFCPTAA prepared a video as a training material in which officials of the National Tax Agency and the NPA lectured on AML/CFT measures, and have been distributing it on the JFCPTAA website and disseminating it to members through training sessions for which this training material has been used.

In addition, the JFCPTAA has been posting an up-to-date list of persons subject to asset freezing (including those related to the Taliban) on their websites (since May 2019). At the FATF's plenary meeting, information on ensuring the fulfillment of the obligation to

confirm at the time of transactions under Article 4 of the Act on Prevention of Transfer of Criminal Proceeds in connection with the adoption of a statement on countries and regions with serious deficiencies in terms of AML/CFT measures was disseminated.

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 NPSC and the NPA 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 NPSC / the NPA

In 2023, the National Public Safety Commission and the National Police Agency ordered 3 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.
- Not keeping records of the matters prescribed by rules in CDD records

In addition, based on the submitted reports, the NPSC and the NPA sent 3 opinion statements to the competent administrative authorities to request them to take rectification measures for non-compliance with the Act on Prevention of Transfer of Criminal Proceeds by the end of the year.

Table 5-2 Number of Supervisory Actions

Category \ Year	2019	2020	2021	2022	2023
Number of orders for submission of a report	7	7	12	4	3
Postal receiving service providers	0	0	2	0	0
Telephone receiving service providers	0	0	0	0	0
Telephone forwarding service providers	7	7	8	4	3
Postal receiving/telephone forwarding service providers	0	0	2	0	0
Number of directions to conduct an inquiry to prefectural police	0	0	0	0	0
Number of opinion statements submitted to competent administrative authorities	8	7	14	4	3
Postal receiving service providers	0	0	4	0	0
Telephone receiving service providers	0	0	0	0	0
Telephone forwarding service providers	8	7	10	4	3

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

The competent administrative agency that receives opinion statements issued by the the NPSC 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. In 2023, none was issued.

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

Year		2019	2020	2021	2022	2023
Category						
Number of rectification orders based on opinion statements		1	2	4	4	0
	Postal receiving service providers	0	0	0	1	0
	Telephone forwarding service providers	1	2	4	3	0

Chapter 6 Promotion of International Cooperation

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

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

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

Section 1 Activities of International Institutions

Paragraph 1 FATF

1. Organization

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

FATF had 38 member jurisdictions (including Japan) and 2 regional institutions as of the end of December 2023. (See Table 6-1)

Table 6-1 [List of FATF Member Countries (as of the end of December 2023)]

Iceland, Ireland, Argentina, Israel, Italy, India, Indonesia, UK, Australia, Austria, Netherlands, Canada, South Korea, Greece, Australia, Saudi Arabia, Singapore, Switzerland, Sweden, Spain, China, Denmark, Germany, Turkey, Japan, New Zealand, Norway, Finland, Brazil, France, USA, Belgium, Portugal, Hong Kong, Malaysia, South Africa, Mexico, Luxembourg, Russia ^(Note) , European Commission (EC), Gulf Cooperation Council (GCC)
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Note: The FATF strongly condemns Russia's war of aggression against Ukraine and decided, at a plenary meeting of the FATF held in February 2023 to suspend Russia's FATF membership by explaining that Russia's conduct violates to an unacceptable extent the fundamental principles of the FATF, an organization that aims to promote the security, stability, and integrity of the global financial system, and represents a serious breach of Russia's commitment to the ideals of international cooperation and mutual respect. Russia remains responsible for meeting its obligations to implement the FATF standards and will continue to exist as a member of the Eurasian Group (EAG) and retain its rights as a member of the EAG.

2. Activities

(1) Main Activities

The main activities of FATF are as follows.

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

(2) FATF Recommendations

1. The 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 Round 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 TC assessment counts the ratings of the 40 Recommendations and rates countries into four levels of compliance: compliant (C), largely compliant (LC), partially compliant (PC), and non-compliant (NC). The effectiveness assessment is conducted based on 11 immediate outcomes to rate countries into four levels of effectiveness: high (HE), substantial (SE), moderate (ME), and low (LE).

The mutual evaluation results are summarized in the Mutual Evaluation Report (MER), which is adopted after being discussed at the FATF Plenary Meeting. The evaluation of the assessed countries is finalized upon the adoption of the MER. Based on the results of the mutual evaluation, the assessed countries are classified into “regular follow-up countries,” “enhanced follow-up countries,” and “countries under ICRG review,” and depending on their classification, they are required to report the improvement status of items pointed to for improvements in the MER. Specifically, “regular follow-up countries” are required to report the improvement status within approximately three years after the release of the MER. If, as a result of the mutual evaluation, a country has 8 or more PC/NC ratings in the TC assessment or 7 or more ME/LE ratings in the effectiveness assessment, or if one or more significant recommendations is rated either NC or PC^{Note 1}, the country is placed into “enhanced follow-up” and is required to report the improvement status of whether the necessary laws, regulations, or other required measures are in force and effective every year for three years after the release of the MER. If a country has 20 or more PC/NC ratings in the TC assessment or 9 or more ME/LE ratings and 2 or more LE ratings in the effectiveness assessment, or if three or more of significant recommendations are rated either NC or PC^{Note 2}, the country is placed “under review by ICRG” and is required to report the significant progress it has made for the items pointed to in the MER during the one-year observation period. If countries under ICRG review are unable to make any significant progress during the observation period, an action plan is developed to address strategic deficiencies in their AML systems. Such countries (so-called “grey list countries”) are placed under increased monitoring by FATF. Furthermore, countries that have some strategic deficiencies in their AML systems and that are unable to make any significant progress in addressing the deficiencies are identified by FATF as high-risk countries with serious strategic deficiencies in their AML systems. For such countries (so-called “blacklist countries”), FATF requests that the FATF member countries apply countermeasures, such as enhanced due diligence, and countermeasures according to the risks related to the deficiencies. In response to the new 40 Recommendations, the FATF Fourth Round Mutual Evaluation started in 2013, and evaluation procedures have been carried out sequentially based on the assessment methodology (evaluation standard for

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

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

assessors) that was adopted in the same year. Each country's evaluation results as of December 2023, which are based on the results at the time of the release of the MER, are as shown in Table 6-2. The FATF Fifth Round Mutual Evaluation is scheduled to begin from 2025.

Table 6-2 [Evaluation Results of FATF Member Countries (as of December 2023)]

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

3. Mutual Evaluation for Japan

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

4. Participation

As one of the founding members of FATF, Japan has been a very active contributor to its work since its establishment in 1989. Japan has participated in the tri-annual (normally, February, June, and October) Plenary Meetings and working groups, which conduct analyses of ML typologies, etc., and it was the plenary chair between July 1998 and June 1999. JAFIC and other government ministries and agencies also actively joined the discussions toward the development of a new AML/CFT framework, sending their officials to the plenary and working group meetings every year and engaging in other such actions.

FATF Plenary Meeting (Paris)



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 2023, the APG consisted of 42 jurisdictions, including Japan. (See Table 6-3)

**Table 6-3 [List of APG Member Countries and Regions and Jurisdictions
(as of the end of December 2023)]**

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

2. Activities

The main activities of APG are as follows.

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

3. Participation

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

JAFIC and other government ministries and agencies have also actively joined the discussions on the latest ML methods and trends, sending their officials to the annual meeting and typology workshop every year.

APG Annual Meeting (Vancouver, Canada)



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 and other 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 the 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 170 jurisdictions as of the end of December 2023.

2. Activities

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

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

3. Participation

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

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

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, among other actions, sent its members to both the annual meetings and the working group meetings to participate in the discussions on the principles related to information exchanges between FIUs and other matters.

JAFIC accepted the role of sponsor FIU for the Pakistan FIU (in co-sponsorship with the U.S. FIU) at the request of the Egmont Group in 2011. In 2012, JAFIC conducted an onsite survey to assess the Pakistan FIU’s membership qualification.

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.

Annual meeting of the Egmont Group
(Abu Dhabi, UAE)



Paragraph 4 Participation in the Activities of International Organizations

Table 6-4 shows that JAFIC actively participated in the activities of international organizations by dispatching its officials to various meetings in 2023.

Table 6-4 Participation in the Activities of International Organizations in 2023

	Month	Name of meeting	Location
FATF	February	Plenary Meeting	Paris, France
	June		Paris, France
	October		Paris, France
APG	July	Annual Meeting	Vancouver, Canada
Egmont Group	January	Working Group	Dakar, Senegal
	July	Annual Meeting	Abu Dhabi, UAE

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 17 times in 2023.

2. Measures Based on the Public Statement Issued by FATF

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

Furthermore, the FATF has been taking the position that Myanmar is a high-risk country alongside North Korea and the Islamic Republic of Iran since the plenary meeting it held in October 2022, and it has been calling on all FATF members and jurisdictions as well as other countries and jurisdictions to apply enhanced due diligence measures in terms of customer control commensurate with the risks arising from Myanmar.

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

Paragraph 2 Information Exchanges with Foreign FIUs

1. Establishment of the Framework for Exchange of Information

It is necessary to exchange information on suspicious 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 requires that, in providing information on suspicious transactions to foreign FIUs, a framework for information exchange that sets forth restrictions on the use of such information for other purposes be established.

In response, the National Public Safety Commission (with the National Policy Agency placed in charge of administration) has been negotiating with foreign FIUs to conclude inter-authority documents with the aim of establishing such a framework for information exchange. As of the end of December 2023, frameworks have been established with the FIUs of 114 jurisdictions. (The establishment of a framework with each of the UAE, South Africa, Pakistan, and the Maldives was completed in 2023.)

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

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

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 2023, 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 350 requests to the relevant foreign FIUs for the provision of information, such on the flow of funds transferred out of Japan and the sources of remittance from abroad (see Table 6-6).

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

Category \ Year	2019	2020	2021	2022	2023
Number of requests for information from JAFIC to foreign FIUs	201	214	170	231	350
Number of requests for information from foreign FIUs to JAFIC	61	47	63	43	50
Total	262	261	233	274	400

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

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

Category \ Year	2019	2020	2021	2022	2023
Number of spontaneous information disclosures from JAFIC to foreign FIUs	111	152	207	115	59
Number of spontaneous information disclosures from foreign FIUs to JAFIC	85	67	76	106	73
Total	196	219	283	221	132

In 2023, there were 166 cases in which JAFIC disseminated information provided by foreign FIUs to domestic LEAs (see Table 6-8).

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

Category \ Year	2019	2020	2021	2022	2023
Number of cases in which JAFIC disseminated information provided by foreign FIUs to domestic LEAs	151	162	142	118	166

Section 3 FATF Mutual Evaluation of Japan

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

As abovementioned 3 of Chapter 6, Section 1, Paragraph 1, Japan was subjected to the FATF Fourth Round Mutual Evaluation, and the evaluation results are publicly disclosed on the FATF website and the website of the Ministry of Finance.

- FATF website
<https://www.fatf-gafi.org/>
- Website of the Ministry of Finance
https://www.mof.go.jp/policy/international_policy/convention/fatf/fatfhoudou_20210830_1.html
https://www.mof.go.jp/policy/international_policy/amlcftcpf/3.efforts.html

Paragraph 2 Overview of Results

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

The results of Japan's effectiveness component (to assess whether the AML/CFT systems are working) are as shown in Table 6-10: 3 SEs (Substantial) and 8 MEs (Moderate).

Based on these evaluation results, Japan was rated PC and NC for 11 recommendations in the TC assessment and ME for 8 recommendations in the effectiveness assessment.

Also, Japan was rated PC for Recommendation 5. As a result, Japan was evaluated as an “enhanced follow-up country” (for the rating criteria, refer to Chapter 6, Section 1, Paragraph 1, item 2 (3) above).

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

Rec.	Overview of the Recommendation	Evaluation	Rec.	Overview of the Recommendation	Evaluation
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, NC – noncompliant, or N/A – not applicable.

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

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

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

Paragraph 3 Japan’s Initiatives Based on the Evaluation Results

Japan, which was evaluated as an “enhanced follow-up country,” must work on improving the items pointed to in the Mutual Evaluation Report as the procedures specified by FATF and report the improvement status to the FATF three times from October 2022.

Based on the Evaluation Report, the government set up the Inter-Ministerial Council for AML/CFT/CPF Policy co-chaired by the National Policy Agency and the Ministry of Finance to proceed with AML/CFT/CPF measures through a concerted effort by the government, and it formulated a three-year action plan in August 2021. The government also formulated the National Strategy and Policy for AML/CFT/CPF in May 2022. In accordance with the action plan and the basic policy, the relevant organizations are working in cooperation on improving the items pointed to.

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

Japan subsequently submitted its second report in 2023 and an upgrade in its rating from PC to LC for Recommendation 5 “Criminalizing the financing of terrorism,” Recommendation 6 “Freezing assets of terrorists,” Recommendation 24 “Beneficial owners of corporations,” and Recommendation 28 “Obligation to supervise designated non-financial businesses and professions (DNFBPs)” and an upgrade in its rating from NC to PC for Recommendation 8 “Prevention of abuse by non-profit organizations (NPOs)” were approved and a report to the effect thereof was made at the FATF Plenary Meeting in October 2023.

Japan's progress will continue to be reported at the FATF Plenary Meeting.

- Three-year action plan:
https://www.npa.go.jp/sosikihanzai/jafic/kokusai/data/20210830_2.pdf
- National Strategy and Policy for AML/CFT/CPF:
https://www.mof.go.jp/policy/international_policy/councils/aml_cft_policy/20220519_1.pdf