

# Annual Report

2024

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 800,000 in 2024, 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. Regarding the areas for improvement pointed out in the report, Japan has been working to address the issues and further enhance the AML measures, in line with the "National AML/CFT/CPF Action Plan" and the "Strategic Policy towards Promoting AML/CFT/CPF," and has achieved results. Furthermore, with a view to the Fifth Round Mutual Evaluation of Japan scheduled to begin in 2027, a new "National AML/CFT/CPF Action Plan (FY2024-26)" has been formulated, with further efforts being made to strengthen AML measures.

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 Legal Abbreviations

Abbreviations for laws and regulations are as follows:

[Abbreviation]	[Laws and regulations]
Act on Prevention of Transfer of Criminal Proceeds.....	Act on Prevention of Transfer of Criminal Proceeds (Act No.22 of 2007)
Enforcement Order.....	Order for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds (Cabinet Order No. 20 of 2008)
(the) Ordinance.....	Ordinance for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds (Ordinance of the Cabinet Office, Ministry of Internal Affairs and Communications, Ministry of Justice, Ministry of Finance, Ministry of Health, Labour and Welfare, Ministry of Agriculture, Forestry and Fisheries, Ministry of Economy, Trade and Industry, and Ministry of Land, Infrastructure, Transport and Tourism No. 1 of 2008)
Anti-Drug Special Provisions Act...	Act Concerning Special Provisions for the Narcotics and Psychotropics Control Act, etc. and Other Matters for the Prevention of Activities Encouraging Illicit Conducts 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 Terrorist Financing.....	Act on Punishment of Financing of Offences of Public Intimidation (Act No. 67 of 2002)
International Terrorist, etc.	
Asset-Freezing Act.....	Act on Special Measures Concerning Freezing of Assets Implemented by Japan in Light of the United Nations Security Council Resolution 1267 (Act No. 124 of 2014)
Payment Services Act.....	Payment Services Act (Act No. 59 of 2009)
Immigration Control Act.....	Immigration Control and Refugee Recognition Act (Cabinet Order No. 319 of 1951)
Investment Act.....	Act Regulating the Receipt of Contributions, Receipt of Deposits, and Interest Rates (Act No. 195 of 1954)
Amusement Business Act.....	Act on Control and Improvement of Amusement Business, etc. (Act No. 122 of 1948)
FEFTA.....	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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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 cleared 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. 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 prescribing 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 currencies<sup>1</sup> could be misused for terrorist financing and concealment of terrorist funds, and stated that the members will take further actions to ensure greater transparency of all financial flows, including through the appropriate regulation of virtual currencies and other new payment methods. The FATF Guidance issued in June 2015 also stated that exchangers of fiat currencies and virtual currencies 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 crypto-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 asset service providers, wallet providers, and providers of ICO (initial coin offering)-related financial services.

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<sup>1</sup> The term "virtual currency" used at the G7 Summit at Schloss Elmau, etc. was translated the "kasou tsuuka (virtual currency)" in Japanese, but later in international discussions, such as the meeting of G20 Finance Ministers and Central Bank Governors, "crypto-asset" has been used instead of "virtual currency," and " virtual asset" has been translated as "angou shisan (cryptoassets)" in Japanese.

In July 2020, the FATF published the “FATF Report to the G20 Finance Ministers and Central Bank Governors on So-called Stablecoins,” which clearly states that the revised FATF standards for virtual assets and virtual asset service providers also apply to so-called stablecoins, and called on all jurisdictions to implement the standards as a matter of priority.

In light of the growing awareness of the need to strengthen the identification of beneficial ownership of legal persons internationally due to the misuse of corporations and trusts revealed in the Panama Papers and Pandora Papers, the FATF Recommendations were revised in March 2022 to set out multifaceted measures including a requirement for a mechanism to enable public authorities such as registration authorities to obtain beneficial ownership information on legal persons.

Furthermore, in February 2023, the FATF Recommendation related to trusts was also revised followed by the revision of the Recommendation on legal persons to strengthen measures for obtaining of beneficial ownership information of trusts and other legal arrangements.

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

New Recom-mendation	Outline of Recommendation	New Recom-mendation	Outline of Recommendation
1	Assessing risk & applying risk-based approach	21	Tipping-off and confidentiality
2	National cooperation and coordination	22	DNFBPs: Customer due diligence
3	Money laundering offence	23	DNFBPs: Other measures
4	Confiscation and provisional measures	24	Transparency and beneficial ownership of legal persons
5	Terrorist financing offence	25	Transparency and beneficial ownership 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	28	Regulation and supervision of DNFBPs
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	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	40	Other forms of international cooperation

## Section 2 History of AML/CFT Efforts in Japan

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

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 Act” 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 Terrorist Financing” 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 offences were prescribed as a predicate offence. Moreover, terrorist funds were prescribed as criminal proceeds. Consequently, the property suspected to be a terrorist fund becomes subject to reporting as a suspicious transaction.

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." was enforced in January 2003.

Due to the frequent misuse of deposit accounts in another person's name or fictitious names for crimes like billing fraud, the Act was amended in December 2004 to prohibit a person with punishment to receive from or give to another person a passbook, etc., and to solicit another person or induce another person to commit an act, and the Act was renamed as "the Act on Confirmation of Customers Identification by Financial Institution, etc. and Prevention of Unauthorized Use of Deposit Account, etc." (hereinafter referred to as "the Customer Identification Act").

#### **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 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 prescribing the transfer of the FIU function 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 aforementioned 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 frameworks (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 "cryptoasset," 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 "cryptoasset 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 partial amendment of the Act on Punishment of Organized Crimes, the Act on Prevention of Transfer of Criminal Proceeds was partially amended to expand 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 partially amended the Payment Services Act to introduce business regulations, such as a registration system for electronic payment instruments service providers. Japan also partially 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 electronic payment instruments service providers to specified business operators. This Act came into force in June 2023.

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. In light of this, in December 2022, 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.

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 Act. It also covers amendments to the Act on Punishment of Organized Crimes and the Anti-Drug Special Provisions Act 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. The Act on Prevention of Transfer of Criminal Proceeds was amended to impose on cryptoasset exchange service providers as specified business operators the obligation to notify regarding the transfer of cryptoasset (enforced in June 2023), to include matters related to verification at the

time of transactions conducted by legal professionals as specified business operators, and to establish the provisions for the STR reporting obligation (enforced in April 2024).

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

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

**Figure 1-1 History of AML/CFT Measures**

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

Global Events		Events in Japan
• February 2012	FATF revised its 40 Recommendations and 9 Special Recommendations - FATF integrated both into New 40 Recommendations	<ul style="list-style-type: none"> <li>• 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.)</li> </ul>
• June 2013	Lough Erne Summit (Agreed on the G8 Action Plan Principles)	<ul style="list-style-type: none"> <li>• April 2013 Full enforcement of the Act on Prevention of Transfer of Criminal Proceeds (the portion amended in April 2011)</li> </ul>
• 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"> <li>• June 2013 Release of the Japan Action Plan</li> </ul>
• June 2015	G7 Elmau Summit (Declaration regarding the introduction of an appropriate regulation of virtual currency)	<ul style="list-style-type: none"> <li>• 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)</li> <li>• December 2014 Enforcement of the amended Act on Punishment of Financing to Offences of Public Intimidation</li> <li>• October 2015 Enforcement of the International Terrorist Asset-Freezing Act</li> <li>• May 2016 Adoption of the amended Act on Prevention of Transfer of Criminal Proceeds (adding virtual currency exchange service provider into the scope of specified business operators)</li> <li>• October 2016 Full enforcement of the amended Act on Prevention of Transfer of Criminal Proceeds (the portion amended in November 2014)</li> <li>• April 2017 Enforcement of the amended Act on Prevention of Transfer of Criminal Proceeds (amendment approved in May 2016)</li> <li>• 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)</li> <li>• July 2017 Enforcement of the amended Act on Prevention of Transfer of Criminal Proceeds (amendment approved in June 2017)</li> </ul>

Global Events		Events in Japan
• March and July 2018	G20 Finance Ministers and Central Bank Governors Meeting (Declaration regarding the ML/TF issues of crypto-assets)	• July 2018 Adoption of the amended Act on Prevention of Transfer of Criminal Proceeds (adding casinos into the scope of specified business operators)
• October 2018	Revision of FATF Recommendation 15 "New Technologies" - Pointed out the need for AML/CFT Regulations against virtual asset service providers, etc.	• May 2019 Adoption of the amended Act on Prevention of Transfer of Criminal Proceeds (The term "virtual asset" replaced with "cryptoasset", the scope of regulation of services to manage cryptoassets 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 transferrable 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 cryptoasset, 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)  • April 2024 Full Enforcement of the amended Act on Prevention of Transfer of Criminal Proceeds (amendments of December 2022) Release of the National AML/CFT/CPF Action Plan (FY2024-26)

## Section 3 Framework of AML/CFT Measures 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 decided that the National Police Agency would draft the bill for the implementation of the FATF Recommendations, expanding the scope of businesses subject to the obligation for implementing aforementioned measures to prevent ML/TF to businesses other than financial institutions. 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 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 of JAFIC

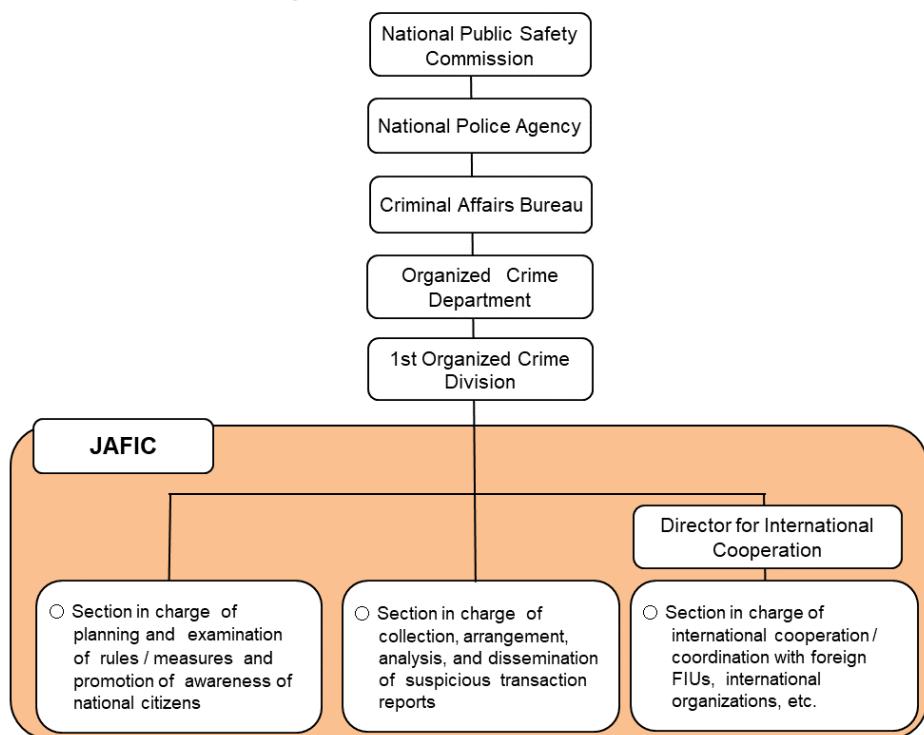
JAFIC endeavors to increase people's understanding about the importance of preventing the transfer of criminal proceeds, and it is tasked with the following works as specified in the Act on Prevention of Transfer of Criminal Proceeds.

- 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) 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.

**Figure 1-2 Structure of JAFIC**



### **3. Partners**

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

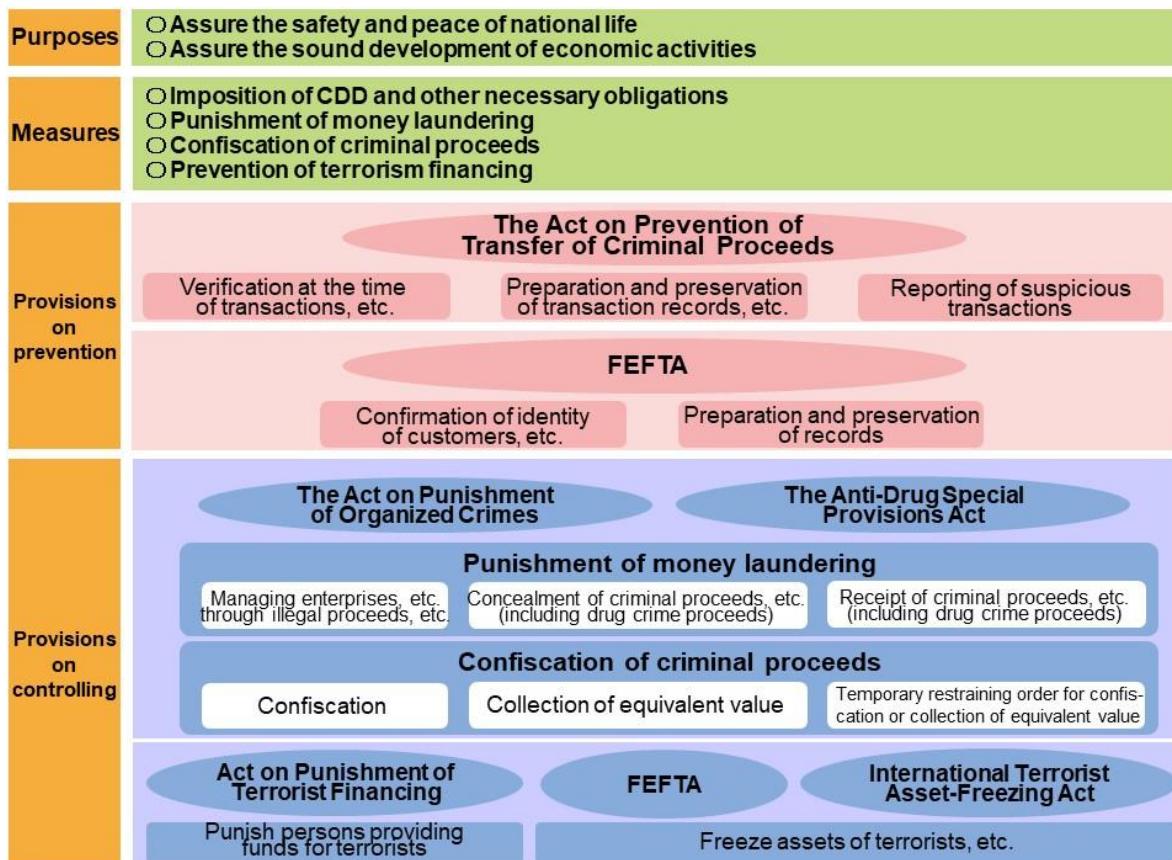
## Chapter 2 The Legislative Regime for AML/CFT

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, which is implemented by the Act on Prevention of Transfer of Criminal Proceeds and the FEFTA. (2) and (3) primarily target assets of criminal organizations to root out their sources of funds, which are implemented mainly by the Act on Punishment of Organized Crimes and the Anti-Drug Special Provisions Act. (4) is for cutting off the funding necessary for the activities of terrorists by designating terrorists as individuals subject to asset-freezing measures, which are implemented by the Act on Punishment of Terrorist Financing, the FEFTA, and the International Terrorist, etc. Asset-Freezing Act.

**Figure 2-1 The Legislative Regime for AML/CFT**



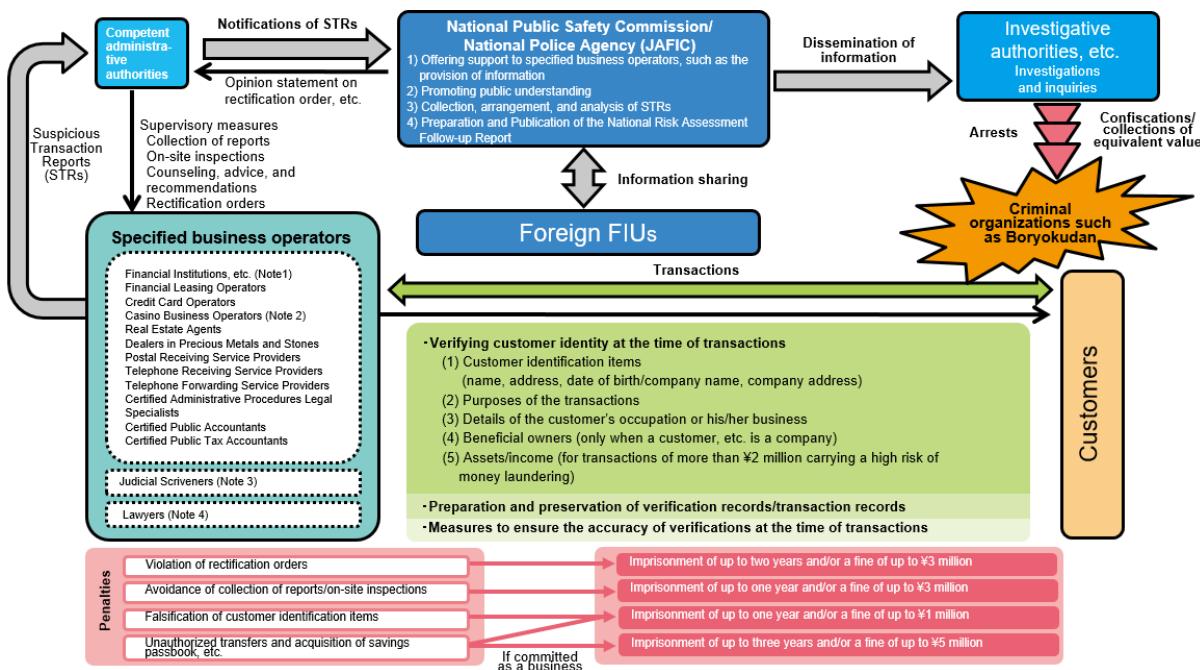
## Section 1 The Legislative Regime Primarily for Imposing Obligations on Specified Operators to Perform CDD and Other Preventive Measures

### 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 on Prevention of Transfer of Criminal Proceeds provides for preventive measures to combat ML/TF by imposing obligations on specified business operators to perform CDD, record keeping, filing STRs, etc., and the following shows important details among them.

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



(Note 1) Financial institutions involved in currency trading are required to provide notification of information related to clients and payment recipients, in addition to the above. Financial institutions include banks, money lenders, funds transfer service providers, etc. A cryptoasset exchange service provider or electronic payment instruments service providers, etc. is obligated to inform other cryptoasset exchange service providers etc. of information related to their clients and recipients of the transfer at the time of a cryptoasset transfer, etc.

(Note 2) Measures to ensure proper confirmation of transactions by casino business operators are separately specified by the Act on Promotion of Development of Specified Integrated Resort Districts.

(Note 3) Judicial scriveners are required to verify the information except for (5) at the time of transactions.

(Note 4) The Japan Federation of Bar Associations defines, in its bylaws, measures to ensure the accurate verification of transactions and the preparation/preservation of verification records and transaction records by lawyers. These rules are based on the examples of judicial scriveners contained in the Act on Prevention of Transfer of Criminal Proceeds. Supervision shall be conducted by the Japan Federation of Bar Associations.

#### 1. Purpose of the Act (Article 1)

The purpose of the Act on Prevention of Transfer of Criminal Proceeds is to prevent the transfer of criminal proceeds and to ensure the appropriate enforcement of

international treaties, etc., concerning the prevention of terrorist financing, and thereby to ensure the safety and peace of national life and to contribute to the sound development of economic activities by way of devising such measures as verifying customer identification data, preserving transaction records and the like, and reporting suspicious transactions by a specified business operator, as described in 3 below, coupled with other measures prescribed by the Act on Punishment of Organized Crimes and the Anti-Drug Special Provisions Act.

## **2. Criminal Proceeds (Paragraph 1 of Article 2)**

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

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

Any financial institution or DNFBP that falls under the Act on Prevention of Transfer of Criminal Proceeds 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-trusteed company (item 26); Real estate specified joint enterprise operator, Small-scale real estate specified joint enterprise operator, special business operator or Qualified specially permitted investor limited business operator (item 27); Mutual loan company (item 28); Money lender (item 29); Call money market broker (item 30); 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); Cryptoasset 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 brokers (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 public tax accountants (item 49)

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

The Act on Prevention of Transfer of Criminal Proceeds prescribes 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 verification at the time of transaction by lawyers are

described in (1) to (12), 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 a judicial scrivener, it must verify the purpose of transactions of the customer, etc., as well as 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, respectively.

For high-risk transactions<sup>1</sup>, 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). Moreover, in cases where the transaction involves the transfer of assets worth more than ¥2 million, specified business operators are required to verify information concerning sources of wealth and sources of funds of customers, etc. to the extent necessary to determine whether reporting of suspicious transactions is necessary. (For details, see the JAFIC Website.)

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

Methods of verification if identification data at the time of transactions are as shown in Figures 2-3 to 2-7.

(2) Preparation and preservation of verification records (Article 6)

Specified business operators are required to prepare and preserve the verification records collected at the time of transaction, as well as on measures taken for verification of the customer at the time of the transaction, for seven years from the day when the transactions were completed or terminated.

(3) Preparation and preservation of transaction records etc. (Article 7)

Specified business operators are required to prepare and keep the record of the date and contents of the transactions concerned for seven years.

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<sup>1</sup> Means "a transaction for which identity theft is suspected or a transaction with a customer, etc., who is suspected of having falsified information 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 money laundering or terrorist financing.

#### (4) Reporting of suspicious transactions (Article 8)

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

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

The competent authorities (in the case of a prefectural governor, via the competent minister<sup>1)</sup>) are required to promptly notify the National Public Safety Commission of the matters related to the filing of an STR.

Since April 2024, administrative scriveners, certified public accountants, and certified public tax accountants have been required to file an STR except for matters pertaining to the confidentiality obligation.

#### (5) Verification at the time of the conclusion of correspondence contracts (Article 9)

When concluding a correspondent banking contract<sup>2</sup> under which exchange transactions with a foreign-based exchange business operator are conducted continuously or repeatedly, specified business operators who conduct exchange transactions on a regular basis are required to verify that the foreign-based exchange business operator has developed a framework necessary for appropriately implementing a measure equivalent to verification at the time of transactions.

#### (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

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<sup>1)</sup> This is specifically prescribed in Article 23 of the Act on Prevention of Transfer of Criminal Proceeds. The difference with the competent authority mentioned earlier is that, in particular, when the competent 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 5 and 6 and Article 19, paragraph 4 of the Act on Prevention of Transfer of Criminal Proceeds).

<sup>2)</sup> 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.

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 framework 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 cryptoasset exchange service provider (Article 10-4)

When concluding an agreement on continuously or repeatedly making transfers of cryptoassets with a foreign-based cryptoasset exchange service provider, a cryptoasset exchange service provider shall confirm that the foreign-based cryptoasset exchange service provider has in place a framework needed to precisely implement measures equivalent to checks to be conducted at the time transactions are undertaken.

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

A cryptoasset exchange service provider shall report information related to clients and recipients of the transfer to another cryptoassets exchange service provider or foreign-based cryptoasset exchange service provider where a cryptoasset 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, etc.

(12) Measures relevant to verification at the time of transaction 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 for measures relevant to those described in aforementioned (1) through (3) and (11).

The CDD regime in which the measures described in (1) through (3) of those described in aforementioned (1) through (11) 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 purpose of notifications pertaining to 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. In addition, 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.

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

Mandatory measures Specified business operators [Article 2, paragraph 2]	Verification at the time of transaction [Article 4]	Preparation and preservation of verification records [Article 6]	Preparation and preservation of transaction records, etc. [Article 7]	Reporting of suspicious transactions [Article 8]	Enhanced verification at the time of the conclusion of correspondence contracts [Article 9]	Notification pertaining to foreign exchange transactions [Article 10]	Measures to ensure thorough and effective CDD measures to be taken [Article 11]
Financial institutions (items 1 through 38)					○ (Limited to those who conduct exchange transactions on a regular basis)	○ (Limited to those who conduct exchange transactions on a regular basis)	
Financial leasing operators (item 39)							
Credit card operators (item 40)							
Casino business operators (item 41)							
Real estate agents (item 42)							
Dealers in precious metals and stones (item 43)	○ (Note 1)	○	○	○ (Note 2)			○ (Note 3)
Postal receiving service providers (item 44)							
Telephone receiving service providers (item 44)							
Telephone forwarding service providers (item 44)							
Certified administrative procedures specialists (item 47)							
Certified public accountants (item 48)							
Certified tax accountants (item 49)							
Judicial scriveners (item 46)							
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. [Article 12]

Note 1: For judicial scriveners, there is no need to verify the status of assets and income.

Note 2: The obligation to report suspicious transactions by certified administrative procedures specialists, certified public accountants, and certified tax accountants excludes matters related to confidentiality.

Note 3: 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 electronic payment instruments service provider (Article 10-2)	Agreement with a foreign-based cryptoasset exchange service provider (Article 10-4)	Foreign exchange transactions (Article 10)	Transfer of electronic payment instruments (Article 10-3)	Transfer of a cryptoasset (Article 10-5)
Specified business operator (paragraph (2) of Article 2)	When an agreement to continuously or repeatedly engage in foreign exchange transactions is concluded with a foreign bank (correspondence agreement), the other party's framework must undergo a check.	(Note)	×	Entrustment of a foreign exchange transaction must be conducted after providing a notification of personal identification matters pertaining to the customer or payment counterparty.	(Note)	×
Electronic payment instruments service providers (item 31-2)	When an agreement to continuously or repeatedly transfer electronic means of payment is concluded with a foreign-based electronic payment instruments service provider, the other party's framework must undergo a check.	×	×	×	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.	×

Cryptoasset exchange service provider (item 32)	×	×	When an agreement to continuously or repeatedly transfer cryptoassets is concluded with a foreign-based cryptoasset exchange service provider, the other party's framework must undergo a check.	×	×	A transfer of a cryptoasset must be conducted after providing a notification of personal identification matters pertaining to the customer or transfer counterparty.
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\* Among the specified business operators under Article 2, paragraph (2), items 1 to 15 and 31, those who issue electronic payment instruments may engage in electronic payment instrument transaction business for the electronic payment instruments they issue. When such specified business operators engage in electronic payment instrument transaction business, they are deemed to be electronic payment instruments service providers and are subject to the obligations under Articles 10-2 and 10-3.

**Table 2-3 Specified Business and Specified Transactions Requiring Performance of Obligations by Specified Business Operators**

Specified business operators [Article 2, paragraph 2]	Specified business	Specified transactions
Financial institutions (items 1 through 38)	Business conducted by financial institutions, etc. (limited to business 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 (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	Conclusion of contracts for the delivery or issuance of a credit card
Casino business operators (item 41)	Casino business (except playing)	Transactions, etc. of issuing or granting tips
Real estate agents (item 42)	Business which pertains 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 which pertains 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 for providing the service of receiving postal mail on behalf of a customer	Conclusion of contracts for the provision of service
Telephone receiving service providers (item 44)	Telephone receiving services	Conclusion of contracts for the provision of service *Excluding conclusion of a contract which includes a clause stating that the agent operator will clearly specify the company name of the agent when receiving a telephone call. *Excluding conclusion of a contract for a call center business
Telephone forwarding service providers (item 44)	Telephone forwarding services	Conclusion of contracts for the provision of service
Judicial scriveners (item 46) Certified administrative procedures specialists (item 47) Certified public accountants (item 48) Certified public tax accountants (item 49)	Business which pertains to agent or deputy work for the following acts: • Acts or procedures concerning buying and selling of building lots or buildings • Acts or procedures concerning the establishment, merger, etc. of companies, etc. • Management or disposition of cash, deposits, securities, and other property *Payment of taxes, penalties, fines, etc. is excluded. *Management or disposition of others' property as a duty of a person appointed by the court or the competent administrative authority, such as a guardian of an adult, etc. is excluded.	Conclusion of contracts for carrying out agent work, etc. for the following acts: • Acts or procedures concerning buying and selling of building lots or buildings • Acts or procedures concerning the establishment, merger, etc. of companies, etc. • Management or disposition of cash, deposits, securities, and other property whose value exceeds 2 million yen *Excluding conclusion of a contract for a voluntary guardian

Figure 2-3

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

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

Presentation of an identification document such as a health insurance card, health insurance eligibility certificate, national pension passbook, certified copy of the supplementary family register, or a certified copy of the resident register by a customer, etc.

Presentation of an identification document such as a health insurance card, health insurance eligibility certificate, or national pension passbook, etc. by a customer, etc.

+

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

+

Presentation of any other identification document or receipt for utility charges, containing the current residence of the customer, etc. by a customer, etc.

+

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

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

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

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

Note: Health insurance cards, etc. were removed from the list of identity verification documents due to the amendment to the Ordinance for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds, which came into effect on December 2, 2024. However, as a transitional measure, health insurance cards, etc. issued at the time of enforcement may continue to be used as identity verification documents for up to one year from the date of enforcement.

**Figure 2-4**

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

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

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, health insurance eligibility certificate 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 2-5

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

Sending of an identification document by a customer, etc.

+

Sending of copies of 2 kinds of identification documents by a customer, etc.

+

Sending of a copy of an identification document and a receipt of utility charges, etc. containing the current address or a copy thereof by a customer, etc.

+

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

+

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

+

In any of the following cases, sending of a copy of an identification document by a customer, etc.

- Execution of a contract concerning acceptance of deposits and savings with an employee of a legal person (limited to a legal person whose transactions are deemed to have a low risk of transfer of criminal proceeds by considering the patterns of transactions conducted with a specified business operator) and other circumstances
- Execution of a contract concerning an act of causing a customer, etc. to obtain securities by acts listed in Article 2, paragraph 8, items 1 to 6 or item 10, or acts listed in Article 2, paragraph 8, items 7 to 9 of the Financial Instruments and Exchange Act (only when the Individual Number is provided) or execution of a contract concerning the opening of an account for book-entry transfer of bonds, etc. pursuant to the provision of Article 12, paragraph 1 or Article 44, paragraph 1 of the Act on Book Entry of Corporate Bonds and Shares or execution of a contract concerning safe custody, which occurs concurrently with or consecutively to the execution of the above contract

+

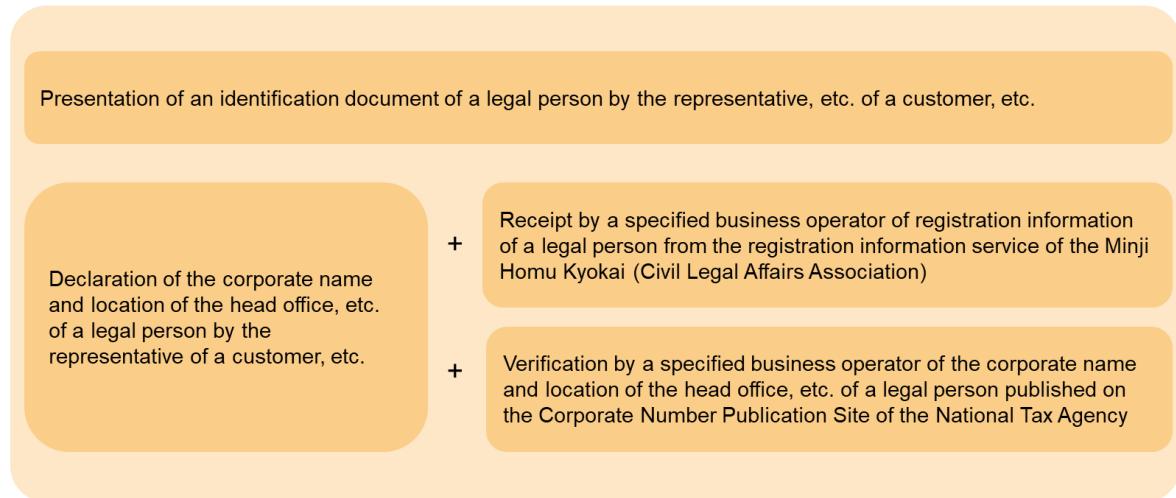
Sending of documents related to transactions by registered mail as non-forwarding mail, etc. to the residence of a customer, etc. from a specified business operator

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

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

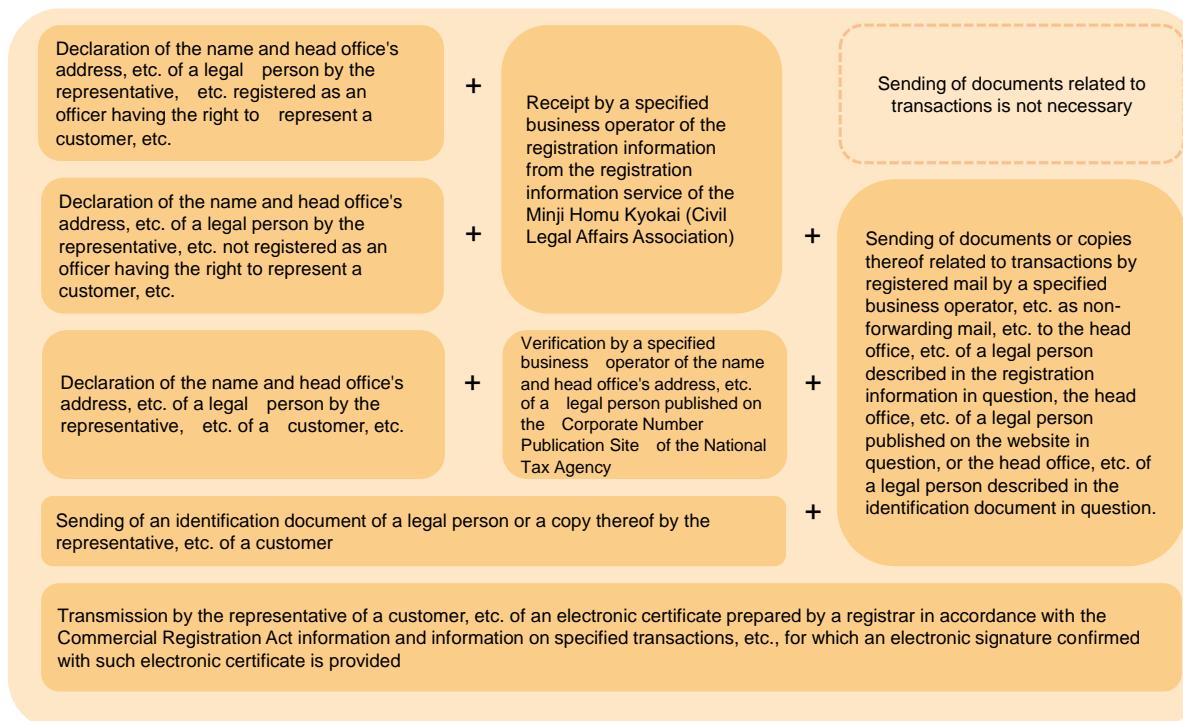
**Figure 2-6**

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



**Figure 2-7**

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



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

In order to make use of STR information for investigations conducted domestically or internationally, 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 on Prevention of Transfer of Criminal Proceeds provides for a supervisory regime undertaken by the competent authorities in order to ensure the compliance of specified business operators. For this purpose, the competent authorities exercise a supervisory power by collecting reports and conducting on-site inspections of the specified business operators, 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 of up to one year and/or a fine of up to 3 million yen. Persons who violate a rectification order shall be punished with imprisonment of up to two years and/or a fine of up to 3 million yen.

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 cryptoasset transactions, etc., exposed to exploitation for the purpose of money laundering or any proceed-related crimes. In order to prevent this, the Act on Prevention of Transfer of Criminal Proceeds prohibits anyone from giving or taking a deposit/savings passbook, an exchange transaction card, or IDs and passwords for cryptoasset transactions (information for cryptoasset exchange etc.) as the subject of a transaction, no matter whether or not it is for value, with a penalty of imprisonment of up to one year and/or a fine of up to 1 million yen. Specifically,

when such transaction is conducted as a business of any of the parties concerned, the penalty shall be increased to imprisonment of up to three years and/or a fine of up to 5 million yen.

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 cryptoasset transactions no matter whether or not it is for value, resulting in a punishment of imprisonment of up to one year and/or a fine of up to 1 million yen.

## 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 electronic payment instruments service providers and the amendment of the Act on Prevention of Transfer of Criminal Proceeds to add electronic payment instruments service providers 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 prepaid payment instruments, electronic payment instruments service providers, electronic payment handling service providers, shinkin bank electronic payment handling service providers, and credit cooperative electronic payment handling service providers 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) Verification at the time of the conclusion of contracts with intermediaries dealing with foreign-based electronic payment instruments service providers

When electronic payment instruments service providers conclude a contract that provides for continuous or repeating transfers of electronic payment instruments with foreign-based electronic payment instruments service providers, they are required to verify that the foreign-based electronic payment instruments service providers have developed a framework 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 electronic payment instruments service providers transfer electronic payment instruments, they are required to provide information on customers to other electronic payment instruments service providers or to foreign-based electronic payment instruments service providers.

- 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 electronic payment instruments service providers, 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 cryptoassets 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 cryptoassets on cryptoasset exchange service providers as specified business operators, was submitted to the 210th session of the Diet in October 2022. The bill was enacted on December 2, 2022, and promulgated on December 9 of the same year. The amended parts of the Act on Prevention of Transfer of Criminal Proceeds were fully enforced by April 1, 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

Among specified business operators, judicial scriveners, certified administrative procedures legal specialists, certified public accountants, and certified public tax accountants (hereinafter referred to as "judicial scriveners, etc.") are newly required to verify the purpose of the transaction, etc. (purpose of the transaction, occupation, nature of business, and beneficial owner), in addition to matters concerning customer identification when conducting verification at the time of transaction. 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.

Accordingly, lawyers are required to follow the provisions specified in the Rules of the Japan Federation of Bar Associations for measures relevant to verification at the time of transaction, following the example of judicial scriveners.

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 foreign-based exchange business operators.

When electronic payment instruments service providers transfer electronic payment instruments, in addition to information on customers, they are newly required to provide information on the transfer counterparties to other electronic payment instruments service providers or foreign-based electronic

payment instruments service providers.

iii) Verification at the time of the conclusion of contracts with foreign-based cryptoasset exchange service providers

When cryptoasset exchange service providers conclude a contract that provides for continuous or repeating transfers of cryptoassets with foreign-based cryptoasset exchange service providers, they are required to verify that the foreign-based cryptoasset exchange service providers have developed a framework necessary for appropriately implementing a measure equivalent to verification at the time of a transaction.

iv) Notification pertaining to a transfer of a cryptoasset

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

(3) Amendment of the Enforcement Order of the Act on Prevention of Transfer of Criminal Proceeds in conjunction with the partial amendment of the Code of Criminal Procedure, etc. (promulgated on April 26, 2024, and enforced on May 15, 2024)

The Act to Partially Amend the Code of Criminal Procedure, etc. (Act No. 28 of 2023), which was enacted in May 2023, established a supervisor framework under which the court can appoint a supervisor as necessary when a defendant is released on bail or suspended from execution of detention, to prevent the defendant from fleeing and ensure that the defendant appears at trial dates.

Regarding the representation of specified acts of commission performed by judicial scriveners, etc., the Enforcement Order of the Act on Prevention of Transfer of Criminal Proceeds prescribes certain acts or procedures as exceptions that are excluded from the scope of the representation. In light of the above-mentioned amendment, "Cabinet Order Partially Amending the Enforcement Order of the Act on Prevention of Transfer of Criminal Proceeds" (Cabinet Order No. 177 of 2024) was enacted to exclude the payment of supervision bond under the supervisor system from the scope of the representation of specified acts of commission, on the grounds that, similar to the payment of bail bonds, the risk of transfer of criminal proceeds is low.

(4) Amendment of the Ordinance for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds in conjunction with the abolition of the Special Child Rearing Allowance Certificate (promulgated on June 25, 2024, and enforced on July 1, 2024)

In line with the "Proposal for the Response Guidelines for the 2022 Proposals, etc. from the Various Regions" (Cabinet Decision on April 20th, 2022), the Ministry of Health, Labour and Welfare decided to abolish the Special Child Rearing Allowance Certificate.

In light of this, the "Order to Partially Amend the Ordinance for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds" (Ordinance of the Cabinet Office, Ministry of Internal Affairs and Communications, Ministry of Justice, Ministry of Finance, Ministry of Health, Labour and Welfare, Ministry of Agriculture, Forestry and Fisheries, Ministry of Economy, Trade and Industry, and Ministry of Land, Infrastructure, Transport and Tourism No. 3 of 2024) was established, and the said certificate was removed from the list of identity verification documents under the provisions of the Ordinance for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds.

(5) Amendment of the Ordinance for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds in conjunction with the partial amendment of the Act on Book-Entry Transfer of Corporate Bonds and Shares and Related Laws in Response to Developments in Information and Telecommunications Technology (promulgated on October 25, 2024, and enforced on November 1, 2024)

The "Act to Partially Amend the Act on Book-Entry Transfer of Corporate Bonds and Shares and Related Laws in Response to Developments in Information and Telecommunications Technology" (Act No.80 of 2023), which was enacted in November 2023, prescribes that investment in special corporations (rights that should be indicated on securities issued by corporations established under a special law) are now subject to the book-entry transfer system (paperless system) in the same way as shares, etc.

In light of this, the "Order to Partially Amend the Ordinance for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds" (Ordinance of the Cabinet Office, Ministry of Internal Affairs and Communications, Ministry of Justice, Ministry of Finance, Ministry of Health, Labour and Welfare, Ministry of Agriculture, Forestry and Fisheries, Ministry of Economy, Trade and Industry, and Ministry of Land, Infrastructure, Transport and Tourism No. 4 of 2024) was established. In the Order, the opening of special accounts (accounts for electronically managing the securities of rights holders) by corporations that are issuers of special corporation securities was added to the list of transactions for which simplified CDD is allowed, similar to the current opening of special accounts for shares, etc., and excluded from transactions subject to the obligation to conduct verification at the time of transaction, etc.

(6) Amendment of the Ordinance for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds, etc., in conjunction with the partial amendment of the Act on the Use of Numbers to Identify a Specific Individual in Administrative Procedures (promulgated on November 29, 2024, and enforced on December 2, 2024)

Under the "Act to Partially Amend the Act on the Use of Numbers to Identify a Specific Individual in Administrative Procedures" (Act No. 48 of 2023), which was enacted in June 2023, photographs are no longer required on Individual Number

Cards issued to people under a certain age at the time of application.

In addition, the Health Insurance Act (Act No. 70 of 1922) and other laws were amended to abolish health insurance cards and make electronic eligibility confirmation using Individual Number Cards the standard method of confirmation of insured person eligibility by medical institutions providing services covered by health insurance. At the same time, for those who are unable to receive electronic eligibility confirmation, each medical insurer, etc. is now able to provide a "Health Insurance Eligibility Certificate" in writing or by electromagnetic means upon request from such individuals to confirm eligibility when visiting a medical institution, etc., so that they can receive necessary insurance medical treatment.

In light of these changes, the "Order to Partially Amend the Ordinance for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds and the Order to Partially Amend the Ordinance for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds and the Ordinance on Utilization of Information and Communications Technology in Reporting Suspicious Dealings" (Ordinance of the Cabinet Office, Ministry of Internal Affairs and Communications, Ministry of Justice, Ministry of Finance, Ministry of Health, Labour and Welfare, Ministry of Agriculture, Forestry and Fisheries, Ministry of Economy, Trade and Industry, and Ministry of Land, Infrastructure, Transport and Tourism No. 6 of 2024) was established. The Order prescribes that, in the provisions of the Ordinance for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds, health insurance cards and other documents will be removed from the list of identity verification documents while establishing transitional measures, and that Health Insurance Eligibility Certificate will be newly added as one of the identity verification documents.

(7) Amendment of the Ordinance for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds concerning Special Provisions Related to the 2024 Noto Peninsula Earthquake (enforced on January 11, 2024, and abolished on December 2, 2024)

In light of the damage caused by the 2024 Noto Peninsula Earthquake, the Ordinance for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds was amended to take the following special measures.

i) Special provisions for transactions subject to verification at the time of transaction when transferring donations

Exchange transactions for cash receipts and payments made for donations related to the 2024 Noto Peninsula Earthquake (limited to cases where the recipient's account was opened solely for the purpose of receiving donations) with an amount of 2 million yen or less were excluded from the transactions subject to the obligation to verify at the time of transaction, etc., as transactions for which simplified CDD are allowed.

ii) Special provisions for the method of verifying the identity of victims

Regarding customers or representatives affected by the 2024 Noto Peninsula Earthquake (who have their residences, etc. in municipalities to which the Disaster Relief Act applied) and for whom it is deemed difficult to verify their identity through standard procedures due to the loss of identification documents or similar reasons, it has been decided that identity verification may be conducted by accepting a declaration from the customer or representative concerned. In such circumstances, specified business operators were required to promptly perform identity verification using the standard procedures as soon as it becomes feasible.

**Paragraph 2 FEFTA (excluding the measures described in Paragraph 2 of Section 3)**

**1. Purpose of the Act (Article 1)**

The purpose of the FEFTA 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 carrying out a specified exchange transactions, entering into a contract or taking any other prescribed action in connection with a capital transactions and exchanging currencies (Article 18, Article 18-5, Article 22-2, and Article 22-3)**

Since the FEFTA 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 electronic payment instruments service providers (including cryptoasset exchange service providers, etc.; the same applies hereinafter) are obligated to confirm identity when conducting a specified exchange transaction or electronic payment instruments 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 electronic payment instruments service providers, etc.) 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 FEFTA 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 cryptoasset transfer transaction, or a capital transaction.

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

### **5. Recent Legislative Changes**

In order to impose on Cryptoasset 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 on April 20, 2022 and promulgated on the same day, and enforced on May 10, 2022.

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 electronic payment instruments service 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 FEFTA that pertain to the obligation to identify customers came into force on June 1, 2023.

In addition, to respond to changes in social conditions and amendments to other laws and regulations, the Ministerial Ordinance Concerning Foreign Exchange (Ordinance of the Ministry of Finance No. 44 of 1980; hereinafter referred to as the "Foreign Exchange Ordinance") was amended as follows, and the provisions on the obligation to verify customer's identities under the FEFTA were amended (the same amendments as those in the Ordinance for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds).

(1) Amendment of the Foreign Exchange Ordinance in conjunction with the abolition

of the Special Child Rearing Allowance Certificate (promulgated on June 25, 2024, and enforced on July 1, 2024)

- (2) Amendment of the Foreign Exchange Ordinance, etc., in conjunction with the partial amendment of the Act on the Use of Numbers to Identify a Specific Individual in Administrative Procedures (promulgated on December 2, 2024, and enforced on the same day)
- (3) Amendment of the Foreign Exchange Ordinance, etc., concerning Special Provisions Related to the 2024 Noto Peninsula Earthquake (enforced on January 11, 2024, and abolished on December 2, 2024)

## 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,<sup>1</sup> (ii) the act of concealing criminal proceeds, (iii) the act of disguising facts with respect to the source of criminal proceeds.

##### (3) Receipt of criminal proceeds (Article 11)

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

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

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

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<sup>1</sup> 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).

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 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 cryptoassets, 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 was amended from "imprisonment of up to five years and/or a fine of up to 10 million yen" to "imprisonment of up to 10 years and/or a fine of up to 10 million yen."
- ii) The statutory penalty for concealment of criminal proceeds was amended from "imprisonment of up to five years and/or a fine of up to 3 million yen" to "imprisonment of up to 10 years and/or a fine of up to 5 million yen."
- iii) The statutory penalty for receipt of criminal proceeds was amended from "imprisonment of up to three years and/or a fine of up to 1 million yen" to "imprisonment of up to 7 years and/or a fine of up to 3 million yen."

#### **(2) Expanding the scope of property subject to confiscation**

The types of property that may be confiscated as criminal proceeds was amended from "real property, movables, or monetary claims" to "property."

This makes it possible to confiscate new types of property, such as cryptoassets.

## **Paragraph 2 Anti-Drug Special Provisions Act**

The Anti-Drug Special Provisions Act 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. The act 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 Act criminalizes the acts of disguising facts with respect to the acquisition or disposition of illegal drug proceeds<sup>1</sup> 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)**

Illegal drug 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 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.

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

- (1) The statutory penalty for concealment of illegal drug proceeds was amended from "imprisonment of up to five years and/or a fine of up to 3 million yen" to "imprisonment of up to 10 years and/or a fine of up to 5 million yen."
- (2) The statutory penalty for receipt of illegal drug proceeds was amended from "imprisonment of up to three years and/or a fine of up to 1 million yen" to "imprisonment of up to seven years and/or a fine of up to 3 million yen."

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<sup>1</sup> Illegal drug 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 Anti-Drug Special Provisions Act).

## 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 Terrorist Financing 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 FEFTA and International Terrorist, etc. Asset-Freezing Act.

#### 2. Recent 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 amendments to the Act on Punishment of Terrorist Financing are as follows.

##### (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 Terrorist Financing 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 FEFTA**

### **1. Asset-Freezing Measures Under the FEFTA**

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 FEFTA 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 Changes**

In order to further ensure the effectiveness of asset-freezing measures under the FEFTA 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 FEFTA, 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 FEFTA that pertain to these standards came 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 aforementioned 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 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.<sup>1</sup> In light of this, a bill for the Act to Respond to FATF Recommendations, including provisions to add concerned parties with ties to plans or programs related to weapons of mass destruction to the scope of asset-freezing measures, was submitted to the 210th session of the Diet. The bill was enacted on December 2, 2022, promulgated on December 9, 2022, and came into effect on June 1, 2023.

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<sup>1</sup> Refers to 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 authorities when a transaction is suspected of being related to criminal proceeds.

### Section 1 System Outline

#### 1. Purpose

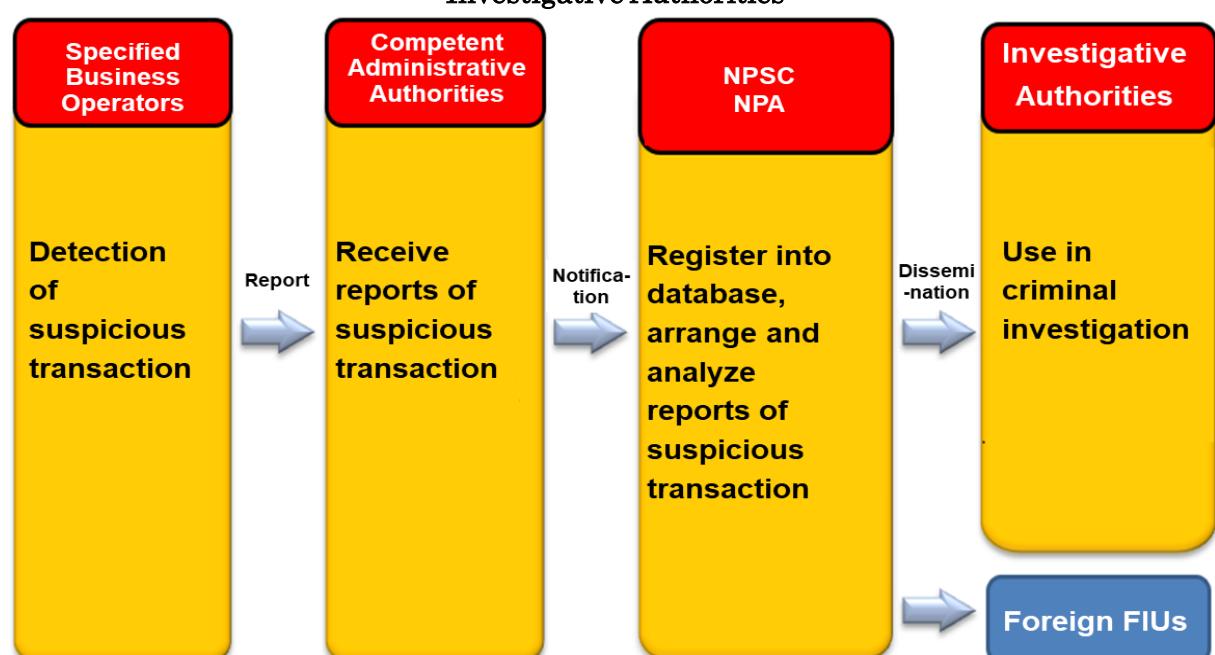
The suspicious transaction reporting system aims to support investigations of money laundering and its predicate offences, as well as terrorist financing, to prevent the misuse of financial or other services provided by specified business operators and to enhance trust in business activities.

#### 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 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.

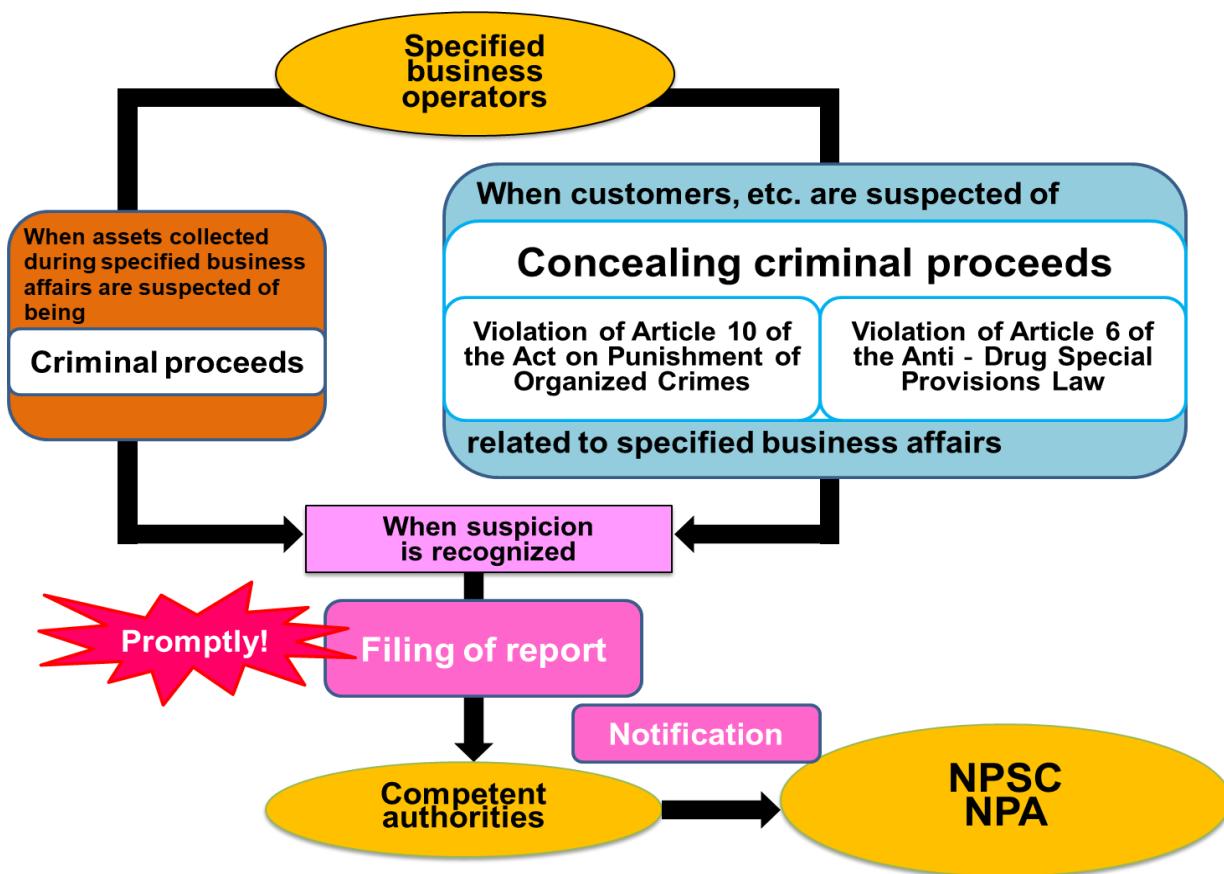
**Figure 3-1 Flow of STRs from Specified Business Operators through JAFIC to the Investigative Authorities**



### 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 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 illegal drug 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.<sup>1</sup>

<sup>1</sup> 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.

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.

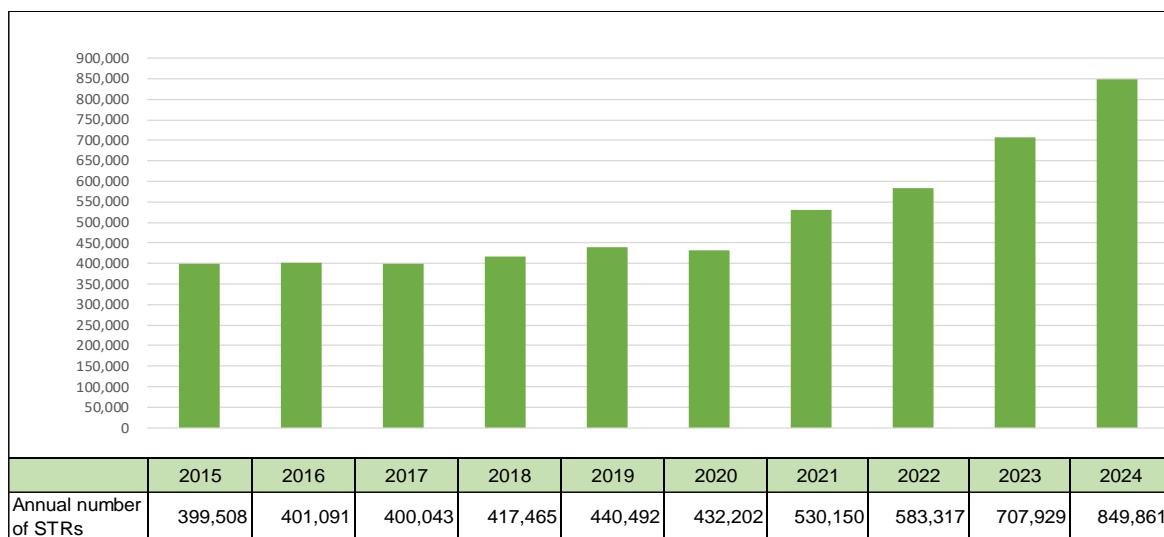
Therefore, the competent authorities have announced “reference cases of suspicious transactions,” based on the characteristics of respective transactions conducted by specified business operators. These cases are provided as a reference to help specified business operators find or identify suspicious 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.

## 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 2024 was 849,861.

**Figure 3-3 Trend Diagram of Annual Number of STRs (2015–2024)**



Note: “Number of Reports Received” is the number of STRs from the competent 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 2024 was 129,137 and the number of STRs stored as of the end of December 2024 was 7,043,010.

## 2. Annual Number of Notifications by Business Type

The number of STRs that each category of business operator filed in 2024 is shown in Table 3-1. Banks, etc., had the highest number of reports, at 580,382 or 68.3% of all reports, followed by money lenders (88,282 or 10.4%) and credit card operators (57,978 or 6.8%) (see Table 3-1).

Table 3-1 Annual Number of STRs by Business Type

Category	Year	2020	2021	2022	2023	2024
		Number of reports				
Financial Institutions etc.		402,868	495,029	542,003	661,838	791,440
Depository Institutions		342,226	411,683	435,728	522,649	611,069
Banks etc.		319,812	390,381	414,651	498,155	580,382
Shinkin Banks and Credit Cooperative		19,793	18,461	18,520	21,636	24,925
Labor Banks		300	318	316	397	1,370
Norinchukin Banks etc.		2,321	2,523	2,241	2,461	4,392
Insurance Companies		2,635	3,458	3,939	4,575	5,428
Financial Instruments Business		17,933	19,718	19,032	20,550	23,804
Money Lender		25,255	35,442	45,684	63,954	88,282
Fund Transfer Companies		6,040	10,499	20,271	29,232	39,122
Cryptoasset Exchange Service Providers		8,023	13,540	16,550	19,344	22,667
Futures Commission Merchant		320	388	318	846	428
Currency Exchanging Operators		252	201	430	655	617
Electronic Receivables Recording Organizations		5	7	0	14	3
Others		179	93	51	19	20
Financial Leasing Operators		123	163	71	214	141
Credit Card Operators		29,138	34,904	41,106	45,674	57,978
Real Estate Agent		7	4	11	18	25
Dealers in Precious Metals and St		63	48	124	138	223
Postal Receiving Service Provider		2	0	1	30	35
Telephone Receiving Service Pro		0	0	0	0	0
Telephone Forwarding Service Pro		1	2	1	17	5
Others		-	-	-	-	14
Total		432,202	530,150	583,317	707,929	849,861

## 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 authorities)

**Table 3-2 Annual Number of STRs by Method**

Method	Year	2020		2021		2022		2023		2024	
		Number of Reports	%	Number of Reports	%						
Electronic Application	428,089	99.0%	526,997	99.4%	579,533	99.4%	704,230	99.5%	844,416	99.4%	
Other Methods	4,113	1.0%	3,153	0.6%	3,784	0.6%	3,699	0.5%	5,445	0.6%	
Total	432,202	100.0%	530,150	100.0%	583,317	100.0%	707,929	100.0%	849,861	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 2024 was 815,318, 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 cryptoasset 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 2024 it reached a record high of 26,871 (see Table 3-3).

**Table 3-3 Number of Reports Disseminated to LEAs**

	2020	2021	2022	2023	2024
Information on STRs	461,687	524,462	581,252	685,330	815,318
Results of Analysis	11,176	12,769	15,990	21,730	26,871

In 2024, 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

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.

Prefectural police departments, primarily through their Task Force for Fact-finding concerning Criminal Proceeds, 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 2024 was 629,135 (see Table 3-4).

**Table 3-4 Number of STRs Used for Investigative Purposes, etc. by Prefectural Police Departments**

	2020	2021	2022	2023	2024
Number of STRs used in investigation	325,643	353,832	373,849	496,093	629,135

The number of cases cleared that were initiated based on STRs and closed with arrests by prefectural police departments ("STR-initiated cases") was 1,074 in 2024, 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 2,673.

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 962, accounting for 89.6% of all STR-initiated cases, and the number of STR-use cases of fraud-related crimes was 1,381, accounting for 51.7% of all STR-use cases. They included fraud affecting or the assignment or transfer of bank accounts or cryptoasset accounts, investment fraud, refund fraud and "It's me Fraud" by Boryokudan gangsters or their related parties etc.
- (ii) The number of STR-initiated cases of illegal stays (violations of the Immigration Control Act) was 37 and the number of STR-use cases of illegal stays was 65, which included cases of foreign nationals who had overstayed their visas, who engaged in activities outside permitted status, who possessed forged residence cards with the intent to use them, and who made false applications for extension of residence status through fake marriage.
- (iii) The number of STR-initiated cases violating the Act on Punishment of Organized Crimes (including the concealment and receipt of criminal proceeds) was 19 and the number of STR-use cases violating the Act on Punishment of Organized Crimes was 114, which included concealing and receiving criminal proceeds obtained through online and telephone fraud, romance 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 13 and the number of STR-use cases of drug crimes was 353, 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 25, while the number of STR-use cases of counterfeiting crimes was 42, which included the unauthorized opening of bank accounts and the unauthorized acquisition of cashless payment accounts using forged driver's licenses, and the unauthorized acquisition of mobile phones using forged Individual Number Card by Boryokudan gangsters or their related parties.

(vi) The number of STR-initiated cases of loan sharks (violation of the Money Lending Business Act and the Investment Deposit and Interest Rate Act) was 1 and the number of STR-use cases of loan sharks was 17, which included cases of unregistered money lending businesses and loan sharks by senior members of Boryokudan, and violations of the Act Regulating the Receipt of Contributions, Receipt of Deposits, and Interest Rates under the pretense of cryptoasset investments.

(vii) The number of STR-initiated cases of entertainment business-related offences (violation of Act on Control and Improvement of Amusement Business, etc.) was 0, but the number of STR-use cases of entertainment business-related offences was 29, which included the operation of unlicensed bars or nightclubs and the operation of adult entertainment shops in prohibited areas by Boryokudan gangsters or their related parties.

(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 11, respectively, which included arrests for operating a gambling site for profit through the use of overseas online gaming apps and illegal gambling stores.

(ix) The number of STR-initiated cases of other criminal offences (theft, violence, felony, etc.) was 11 cases and the number of STR-use cases of other criminal offences was 579, which included unauthorized withdrawals of money from ATMs using another person's cash card obtained by way of online and telephone fraud by Anonymous and fluid criminal groups, and extortion by senior members of Boryokudan.

(x) The number of STR-initiated cases of other special criminal offences (violation of the FEFTA, the Political Funds Control Act, or the Unfair Competition Prevention Act, etc.) was 4 and the number of STR-use cases was 82, which included violations of the FEFTA by the representative of a trading company engaging in unauthorized exports, violations of the Political Funds Control Act by making expenditures on unregistered political activities by a right-wing group, and violations of the Unfair Competition Prevention Act by a former employee illegally duplicating and acquiring customer information.

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

STR-initiated Cases by Type of Crime	Year	2020	2021	2022	2023	2024
(i) Fraud-related crimes		873	855	877	917	962
Violation of Act on Prevention of Transfer of Criminal Proceed		631	561	626	674	716
Fraud		237	290	247	236	242
Computer fraud		5	4	4	7	4
(ii) Illegal stays		38	46	25	20	37
Violation of Immigration Control Act		38	46	25	20	37
(iii) Violation of Act on Punishment of Organized Crimes		30	41	13	24	19
Concealment of criminal proceeds, etc.		21	28	9	17	15
Receipt of criminal proceeds, etc.		9	13	4	7	3
Control of management of companies, etc.		0	0	0	0	1
(iv) Drug crimes		45	39	28	23	13
Violation of Stimulants Control Act		36	26	18	2	5
Violation of Cannabis Control Act		5	8	6	16	6
Violation of Anti-Drug Special Provisions Law		1	4	3	1	1
Violation of Narcotics and Psychotropics Control Act		0	1	1	4	0
Violation of Act on Ensuring the Quality, Efficacy and Safety of Drug and Medical devices, etc.		3	0	0	0	1
(v) Counterfeiting crimes		8	17	16	24	25
Forgery of signed official (private) documents		4	8	5	10	12
Unauthorized creation and distribution of private electromagnetic records		2	5	6	9	8
Illegal preparation and supply of false entries in original electromagnetic notarized deed		0	2	2	2	3
Others		2	2	3	3	2
(vi) Loan sharks		6	8	8	3	1
Violation of Money Lending Business Act		2	6	7	2	1
Violation of Act Regulating the Receipt of Contributions, Receipt of Deposits, and Interest Rates		4	2	1	1	0
(vii) Entertainment business-related offences		3	2	2	3	0
Violation of Amusement Business Act		2	1	1	3	0
Distribution of obscene materials		1	1	1	0	0
(viii) Gambling-related offences		0	2	0	2	2
Habitual gambling		0	1	0	0	0
Gambling		0	1	0	0	0
Operating a gambling site for profit		0	0	0	2	2
(ix) Other Penal Code offences		12	18	11	13	11
Theft		9	11	8	9	7
Violence		2	4	1	3	1
Felony		0	0	0	0	0
Others		1	3	2	1	3
(x) Other criminal acts offences		13	17	14	9	4
Violation of Trademark Act		1	5	2	0	0
Violation of Banking Act		4	4	4	1	0
Violation of Act on Specified Commercial Transactions		1	0	0	1	0
Violation of Customs Act		1	0	0	0	0
Others		6	8	8	7	4
<b>Total</b>		<b>1,028</b>	<b>1,045</b>	<b>994</b>	<b>1,038</b>	<b>1,074</b>

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-initiated Cases by Type of Crime	Year	2020	2021	2022	2023	2024
(i) Fraud-related crimes		589	647	877	1,024	1,381
Violation of Act on Prevention of Transfer of Criminal Proceed		302	271	396	498	676
Fraud		280	360	460	494	665
Computer fraud		7	16	21	32	40
(ii) Illegal stays		27	41	30	43	65
Violation of Immigration Control Act		27	41	30	43	65
(iii) Violation of Act on Punishment of Organized Crimes		40	37	61	77	114
Concealment of criminal proceeds, etc.		26	26	49	49	80
Receipt of criminal proceeds, etc.		13	11	12	27	33
Control of management of companies, etc.		1	0	0	1	1
(iv) Drug crimes		224	240	290	291	353
Violation of Stimulants Control Act		167	160	148	129	213
Violation of Cannabis Control Act		41	49	98	107	91
Violation of Anti-Drug Special Provisions Law		8	20	24	39	18
Violation of Narcotics and Psychotropics Control Act		7	6	18	14	25
Violation of Act on Ensuring the Quality, Efficacy and Safety of Drug and Medical devices, etc.		1	5	2	2	6
(v) Counterfeiting crimes		23	42	44	50	42
Forgery of signed official (private) documents		9	13	22	23	21
Unauthorized creation and distribution of private electromagnetic records		3	6	13	11	13
Illegal preparation and supply of false entries in original electromagnetic notarized deed		10	17	6	9	6
Others		1	6	3	7	2
(vi) Loan sharks		18	12	11	10	17
Violation of Money Lending Business Act		13	7	5	5	10
Violation of Act Regulating the Receipt of Contributions, Receipt of Deposits, and Interest Rates		5	5	6	5	7
(vii) Entertainment business-related offences		12	12	11	16	29
Violation of Amusement Business Act		12	12	11	13	26
Distribution of obscene materials		0	0	0	3	3
(viii) Gambling-related offences		9	10	4	10	11
Habitual gambling		5	5	3	3	4
Gambling		3	0	0	1	2
Operating a gambling site for profit		1	5	1	6	5
(ix) Other Penal Code offences		373	366	443	555	579
Theft		154	164	217	283	290
Violence		135	129	130	138	131
Felony		23	28	35	32	47
Others		61	45	61	102	111
(x) Other criminal acts offences		82	94	95	84	82
Violation of Trademark Act		3	5	10	6	4
Violation of Banking Act		0	2	3	2	1
Violation of Act on Specified Commercial Transactions		2	5	6	2	9
Violation of Customs Act		1	1	1	5	2
Others		76	81	75	69	66
合計		1,397	1,501	1,866	2,160	2,673

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 Office**

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, Regional Bureaus of Health and Welfare, Ministry of Health, Labour and Welfare, 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 STRs with the Regional Taxation Bureaus nationwide and actively utilizes them for investigating tax crimes by doing synthetic analysis of them with data on tax returns and information retained by the Regional Taxation Bureaus.

## **6. The Japan 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, the following activities are criminalized as money laundering: the control of management of businesses including legal persons and other entities through illicit proceeds, the concealment of criminal proceeds, and the receipt of criminal proceeds, which are all prescribed in the Act on Punishment of Organized Crimes, and also the concealment of illegal drug proceeds and the receipt of illegal drug proceeds, both prescribed in the Anti-Drug Special Provisions Act. 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 authorities to specified business operators (excluding lawyers) and penalties for illegally transferring or receiving, etc. bank account passbooks are prescribed 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 1,262 cases cleared as money laundering under the Act on Punishment of Organized Crimes in 2024, consisting of 4 case of illegal corporate and other forms of business management control, 1,037 cases of concealment of criminal proceeds, and 221 cases of the receipt of criminal proceeds. The total number of cases represented an increase of 374 cases (42.1%) over the previous year (see Table 4-1).

**Table 4-1 Number of Cleared Cases for Money Laundering under the Act on Punishment of Organized Crimes**

Category	Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Management Control through Illicit Proceeds (Article 9)		2 (0)	0 (0)	2 (0)	1 (0)	0 (0)	2 (0)	0 (0)	1 (1)	1 (0)	4 (0)
Concealment of Criminal Proceeds, etc. (Article 10)		234 (43)	268 (45)	240 (22)	377 (36)	378 (32)	413 (27)	461 (32)	578 (43)	696 (39)	1,037 (45)
Receipt of Criminal Proceeds, etc. (Article 11)		145 (46)	112 (25)	111 (24)	126 (26)	150 (19)	182 (30)	162 (28)	130 (18)	191 (15)	221 (26)
Total		381 (89)	380 (70)	353 (46)	504 (62)	528 (51)	597 (57)	623 (60)	709 (62)	888 (54)	1,262 (71)

Note: The numbers in brackets represent the number of cases conducted by Boryokudan gangsters (meaning Boryokudan members, associates, and other related parties; the same applies hereafter.).

With regard to the types of money laundering cases under the Act on Punishment of Organized Crimes, there were 462 cases of fraud, the category accounting for the highest number of cases, followed by 386 cases of theft, 288 cases of computer fraud, and 18 cases of loan sharking.

## 2. Modus Operandi of Money Laundering Observed in Cleared Cases

### (1) Examples of the Control of Management of Businesses through Illicit Proceeds

In the cases of the control of management of businesses through illicit proceeds in 2024, the predicate offenses included violations of the Investment Deposit and Interest Rate Act, violations of the Act on Punishment of Organized Crimes and fraud, etc. The modus operandi were to invest in the establishment of a new company and appoint an acquaintance as the representative director or other executive position to register the company, or to pay for shares and exercise shareholder authority to appoint corporate officers, using the illicit proceeds obtained from the predicate offenses.

[Case 1] Management control through illicit proceeds related to a violation of the Act on Punishment of Organized Crimes

A male company executive was arrested for violating the Act on Punishment of Organized Crimes (management control through illicit proceeds), after using part of the illicit proceeds obtained by selling electricity purchased with payments made using credit cards under other persons' names to acquire shares of a power company, and then exercising shareholder rights to appoint an acquaintance as an executive of the company with the intent to control its business operations.

(Tokyo Metropolitan Police Department, in April)

### (2) 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 2024.

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 or fraudulently opened corporate bank accounts. 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 cryptoassets.

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

A male company employee was arrested for violating the Act on Punishment of Organized Crimes (concealment of criminal proceeds, etc.), after he impersonated the recipient named on a package containing defrauded money sent by an online and telephone fraud group and collected the package from a delivery locker.  
(Kagoshima, in May)

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

A male company executive and others were arrested for violating the Act on Punishment of Organized Crimes (concealment of criminal proceeds, etc.), after the male company executive having fraudulently obtained proceeds from illicit benefits deposited into bank accounts under the names of a fictitious shell corporation that they managed.

(Osaka, in March)

[Case 4] Concealment of criminal proceeds related to a Telephone Fraud case

A male university student was arrested, along with an unemployed male accomplice, for violating the Act on Punishment of Organized Crimes (concealment of criminal proceeds, etc.), after the male university student collecting part of the criminal proceeds obtained through online and telephone fraud from a coin locker and handing it over to the other man through the door of a private restroom stall in a commercial building.

(Okayama, in June)

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

Predicate offenses of fraud and theft accounted for the bulk of cases of the receipt of criminal proceeds in 2024. 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 5] Receipt of criminal proceeds in connection with the violation of the Anti-Prostitution Act

An unemployed man was arrested for violating the Act on Punishment of Organized Crimes (receipt of criminal proceeds, etc.), after receiving a portion of the proceeds from a person involved in illegal prostitution, knowing that the money was derived from violations of the Anti-Prostitution Act.

(Hokkaido, in January)

[Case 6] Receipt of criminal proceeds related to a Telephone Fraud case

A male company employee was arrested for violating the Act on Punishment of Organized Crimes (receipt of criminal proceeds, etc.), after receiving part of the cash obtained through online and telephone fraud by having it transferred to a bank account under his own name, knowing that the funds were proceeds of online and telephone fraud.

(Okayama, in March)

### 3. Money Laundering Cases Related to Anonymous and Fluid Criminal Groups

Anonymous and fluid criminal groups, characterized by the fluid scheme in which core members who collect proceeds from various fundraising activities are anonymized while crime actors are recruited on social media each time, appear to be skillfully conducting money laundering crimes in the process in which the core members receive the criminal proceeds obtained by the low-level actors through various crimes.

[Case 7] Concealment of criminal proceeds by a cryptoasset OTC group

A member of an over-the-counter (OTC) trading group was arrested for violating the Act on Punishment of Organized Crimes (concealment of criminal proceeds, etc.), after converting proceeds obtained from online and telephone fraud into cryptoassets, exchanging them into other cryptoassets via overseas exchanges, and concealing them in a software wallet under the member's own control.

(Aichi, in June)

[Case 8] Concealment of criminal proceeds through a shell company

A member of a criminal group was arrested for violating the Act on Punishment of Organized Crimes (concealment of criminal proceeds, etc.), among other offenses, after engaging in a scheme in which individuals were solicited via social media to serve as nominal corporate representatives. The group established shell companies, opened bank accounts under the companies' names, and paid the individuals compensation. Through this method, the group obtained thousands of bank accounts and conducted money laundering by mixing criminal proceeds such as funds obtained through online and telephone fraud and wagers from online casinos, and transferring money between those bank accounts.

(Osaka, in May)

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

There was a total of 71 cases cleared as money laundering related to Boryokudan gangsters in 2024, consisting of 45 cases of concealment of criminal proceeds and 26 of the receipt of criminal proceeds. This number accounts for 5.6% of all cases cleared

as money laundering under the Act on Punishment of Organized Crimes in 2024.

Looking at ML crimes related to Boryokudan members by predicate offence, there were, among other figures, 18 cases of fraud, the category accounting for the highest number of cases, followed by 10 cases of computer fraud and 9 cases of theft.

The modus operandi of money laundering cases seems to include utilizing an account in the name of another person when obtaining criminal proceeds and 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 9] Concealment of criminal proceeds by a senior member of Boryokudan in connection with the violation of the Money Lending Business Act**

A male senior member of Boryokudan was arrested for violating the Act on Punishment of Organized Crimes (concealment of criminal proceeds, etc.), after engaging in unlicensed money lending and having the repayments from borrowers transferred into bank accounts under other persons' names that he managed.

(Kumamoto, in January)

**[Case 10] Receipt of criminal proceeds by a senior member of a subordinate organization of the Sumiyoshi-kai in connection with a fraud case**

A male senior member of a subordinate organization of the Sumiyoshi-kai was arrested for violating the Act on Punishment of Organized Crimes (receipt of criminal proceeds, etc.), after receiving a bank cash card for an account fraudulently opened by a relative, who had deceived a financial institution in order to transfer the card to him.

(Tokyo Metropolitan Police Department, in June)

## **5. Money Laundering conducted by Foreign Visitors to Japan**

In cleared cases of money laundering under the Act on Punishment of Organized Crimes in 2024, there were 139 cases related to foreign visitors to Japan, representing 11.0% of all cases. They consisted of 1 case of the control of management of businesses through illicit proceeds, 109 cases of concealment of criminal proceeds, and 29 cases of receipt of criminal proceeds.

By nationality, China and Vietnam are the most common.

With regard to the predicate offences of the cases of money laundering related to foreign visitors to Japan, there were 59 cases of fraud, the category accounting for the highest number of cases, followed by 47 theft cases, 20 cases of computer fraud, and 5 violations of the Trademark 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 or credit card information,

as well as the purchase of stolen goods, etc.

**[Case 11] Concealment of criminal proceeds by Vietnamese nationals in connection with a fraud case**

Male Vietnamese nationals were arrested for fraud and for violating the Act on Punishment of Organized Crimes (concealment of criminal proceeds, etc.), after using electronic payment codes linked to fraudulently obtained credit card information under other persons' names and impersonating the cardholders to fraudulently purchase postage stamps and other items at post offices.

(Tochigi, in November)

**[Case 12] Receipt of criminal proceeds by a Chinese national in connection with a theft case**

A male Chinese national was arrested for violating the Act on Punishment of Organized Crimes (receipt of criminal proceeds, etc.), after receiving cash from a member of an online and telephone fraud group, knowing that the funds were proceeds of online and telephone fraud.

(Kumamoto, in March)

## **6. Cases of Cross-Border Money Laundering**

Offenders are transferring criminal proceeds overseas and engaging in cross-border money laundering activities, such as purchasing cryptoassets with criminal proceeds obtained through fraud and sending them to cryptoasset wallets opened at highly anonymous overseas cryptoasset exchanges, or purchasing cryptoassets with criminal proceeds obtained through unauthorized access to transfer funds and then transferring them to coin addresses at overseas cryptoasset exchanges managed by unidentified individuals in an attempt to conceal the true nature of the funds.

**[Case 13] Concealment of criminal proceeds related to a computer fraud case**

A male company employee was arrested for violating the Act on Punishment of Organized Crimes (concealment of criminal proceeds, etc.), after purchasing cryptoassets using criminal proceeds obtained through unauthorized internet banking transfers resulting from illegal access, and transferring the assets to a wallet address at an overseas cryptoasset exchange controlled by an unidentified individual.

(Tokyo Metropolitan Police Department and others, in May)

## **Paragraph 2 Cleared Cases of Money Laundering under the Anti-Drug Special Provisions Act**

The total number of cleared cases of money laundering under the Anti-Drug Special Provisions Act in 2024 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 Cleared Cases for Money Laundering under the Anti-Drug Special Provisions Act**

Category \ Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Concealment of illegal drug proceeds, etc. (Article 6)	5 (3)	5 (4)	7 (3)	5 (2)	8 (6)	3 (1)	5 (2)	15 (2)	20 (3)	17 (6)
Receipt of illegal drug proceeds, etc. (Article 7)	3 (2)	3 (2)	1 (1)	2 (1)	1 (1)	0 (0)	4 (2)	2 (0)	1 (0)	4 (3)
Total	8 (5)	8 (6)	8 (4)	7 (3)	9 (7)	3 (1)	9 (4)	17 (2)	21 (3)	21 (9)

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

[Case 14] Concealment of illegal drug proceeds related to the trafficking of cannabis

Male drug traffickers sold cannabis 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 Act (concealment of illegal drug proceeds).

(Gifu, in February)

## 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) prescribed 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 2024 (on the request of judicial police officers) was 225 (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	2020	2021	2022	2023	2024
Cases	150(20)	142(22)	162(19)	211(19)	225(16)
Total amount of credit	513,222,080 yen	507,211,792 yen	1,047,244,103 yen	1,044,378,165 yen	1,964,173,068 yen
Others	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 <sup>2</sup> Pachinko game machines: 18 units, and more	Poker game machines: 12 Mini passenger car: 1 Display: 1 Surveillance camera recorder: 1 Customer list: 7 Crypto-assets (BTC), etc.

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 67 violations of the Amusement Business Act, the category accounting for the highest number of cases, followed by, among other figures, 36 cases of fraud, 28 violations of the Immigration Control and Refugee Recognition Act, and 25 cases of theft.

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 2024 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 cryptoassets became possible by the partial amendment of the Act on Punishment of Organized Crimes in 2022, the cases include a case in which LEAs confiscated cryptoassets received as compensation for counterfeiting of official documents with seals.

[Case 15] Temporary restraint of criminal proceeds in a case involving counterfeiting of official documents with seals

A preservation order for confiscation before prosecution was issued for cryptoassets received as compensation by an unemployed man and others in connection with a case of counterfeiting of official documents with seals involving the production of counterfeit driver's licenses.

(Tokyo Metropolitan Police Department, in May)

[Case 16] Temporary restraint of property used for crimes in a case of running a gambling place for the purpose of gain

In connection with a case in which an unemployed man operated a gambling site in a room in an apartment building and allowed customers to gamble, a preservation order for confiscation before prosecution was issued for a total of 202,000 yen in reserve funds, which were deemed property used for crimes.

(Osaka, in June)

## Paragraph 2 Temporary Restraining Order under the Anti-Drug Special Provisions Act

The number of Temporary Restraining Orders issued under the Anti-Drug Special Provisions Act in 2024 (on the request of judicial police officers) was 27 (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**

Category \ Year	2020	2021	2022	2023	2024
Cases	18 (6)	24 (6)	23 (5)	20 (2)	27 (11)
Total amount of credit	12,684,518 yen	32,712,378 yen	25,363,870 yen	45,427,415 yen	23,905,545 yen
Others				Foreign currency: US\$900, 116.34 euros Investment trust beneficial interests Ordinary passenger car: 1 Wristwatch: 1 Real estate (land, buildings)	Foreign currency: US\$520, 20 pounds, 300 euros 46 yen worth of service claims (electronic money)

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 17] Temporary Restraining Order issued against illegal drug proceeds related to a stimulant trafficking case

A man who was trafficking methamphetamines was arrested under the Anti-Drug Special Provisions Act (transfer as business). A preservation order for confiscation before prosecution was issued against a total of approximately 3.81 million yen in cash and deposit claims that the man had obtained from trafficking methamphetamines.

(Ibaraki, 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
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
2023	119	353,107	103	1,267,096	222	1,620,204

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
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
2023	54	8,404	199	394,534	253	402,939

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

In many of the money laundering cases, there have been instances in which deposit/savings passbooks under other persons' names are misused. The Act on Prevention of Transfer of Criminal Proceeds prescribes the penalties to ensure the effectiveness of supervisory mechanisms put in place by the competent 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. 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 2024 was 4,513, an increase of 1,089 cases over the previous year (see Table 4-7).

**Table 4-7 Number of Cleared Cases for Violation of the Act on Prevention of Transfer of Criminal Proceeds**

Category \ Year	2020	2021	2022	2023	2024
Transfer of deposit/savings passbook, etc.	2,539	2,446	2,951	3,230	4,321
Transfer of deposit/savings passbook, etc. (business)	18	27	18	43	29
Solicitation/inducement for transfer of deposit/	32	11	10	12	12
Transfer of exchange transaction cards, etc.	35	26	41	50	60
Transfer of information for cryptoasset exchange	6	23	46	89	90
Others	4	2	0	0	1
<b>Total</b>	<b>2,634</b>	<b>2,535</b>	<b>3,066</b>	<b>3,424</b>	<b>4,513</b>

## **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 AML/CFT 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.

In addition, the 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.

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 November 2024, the Commission published the report for 2024.

## 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 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 November 2024 describes the "environment surrounding Japan," which is the premise for a comprehensive view of the various ML/TF-related risks surrounding Japan, in terms of geographical, social, economic, and criminal environments. It provides a multifaceted and comprehensive analysis to assess the risks by conducting the following:

- Analyzes the "offenders" and "predicate offences" that generate criminal proceeds, constituting the threat of ML/TF in Japan, from the perspective of cleared ML cases.
- Analyzes high-risk transaction types, countries/regions, and customer attributes from the perspective of factors that increase the risk and measures to mitigate the risk.
- Analyzes the factors that increase the risks for each product/service provided by specified business operators, details of STRs, and measures to mitigate risks.

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 the following.

- Among the offenders in ML (Boryokudan, online and telephone fraud group, and crime groups of foreigners in Japan), "online and telephone fraud group" have been changed to "Anonymous and fluid criminal groups," and descriptions have been added of fundraising activities such as investment / romance fraud via social media, which are seeing a sharp increase in cases.
- In light of the fact that shell companies or opaque companies and corporate accounts are being misused for ML, the analysis of legal persons (legal persons without transparency of beneficial owners, etc.) has been deepened. In addition, examples have been added of STRs of high-risk non-face-to-face transactions,

cash transactions, and cross-border transactions.

- International situations and cases, including those in neighboring countries, are introduced from reports on cyber enabled fraud (CEF) by the FATF, etc., as well as from the APG's typology report.

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<sup>1</sup> shows the results of an analysis of cleared cases of ML crimes (during the three years from 2021 to 2023) and the major transactions misused for ML that were discovered in the course of investigations.

**Table 5-1 Major Transactions Misused for ML**

Year	Total	Postal receiving services	Bills and checks	Money lending	Legal/accounting professionals	Foreign currency exchange	Real estate	Financial Instruments	Precious metals and stones	Cross-border transaction (such as foreign exchanges)	Legal persons	Funds transfer services	Cryptosets	Prepaid payment instruments (Note 2, Note 3)	Deposit transactions	Credit cards	Cash transactions	Domestic exchange transactions	Misused transactions
2021	430	0	0	0	0	0	1	1	0	0	0	0	0	0	208	72	40	40	21
2022	530	0	0	0	0	0	0	1	0	0	0	0	0	0	266	105	55	24	39
2023	659	1	1	0	0	0	2	0	3	3	2	1	1	1	311	129	51	36	40
Total	1,619	0	0	0	0	0	0	0	0	0	0	0	0	0	785	306	146	100	100

Note 2: Since 2023, the name "electronic money" has been changed to "prepaid payment instruments" in the National Risk Assessment-Follow-up Report.

Note 3: The figures for prepaid payment in 2021 include transactions that corresponded to prepaid payment instruments within electronic money.

The results of the analysis of the cleared ML cases and STRs are as follows:

- There were 785 cases of domestic exchange transactions, followed by 306 cases of cash transactions and 100 cases of deposit transactions, with the majority of transactions misused for ML involving products and services offered by deposit-taking financial institutions.
- There are many cases where offenders have victims make payment to bank accounts opened in the name of fictitious or other parties through domestic exchange transactions, which enables prompt and secure fund transfers.
- The criminal proceeds deposited into accounts through domestic exchange transactions or deposit transactions are often cashed out eventually, making

<sup>1</sup> Cited from 2024 National Risk Assessment-Follow-up Report.

subsequent fund tracing extremely challenging.

- The number of cases where credit cards were misused for ML was the third highest in the Table 5-1. With the significant increase in fraudulent use of credit cards, the number of misuse cases is indicating an upward trend has also risen.
- There is an observable expansion in the misuse of various payment methods, including prepaid payment instruments, cryptoassets, and funds transfer services, reflecting the diversification of payment methods.

## Paragraph 2 Measures for Specified Business Operators, etc.

### 1. Establishment of Guidelines, etc.

#### (1) Guidelines

Amid the growing international emphasis on AML/CFT measures, specified business operators are required to establish robust risk management frameworks to address ML/TF risks, and to maintain these frameworks effectively in accordance with the risks they face. To clarify the matters that specified business operators are expected to address in implementing such measures, competent authorities overseeing each category of specified business operators have formulated respective guidelines.

These guidelines are subject to revisions as necessary, in light of changes in circumstances.

#### i) For financial institutions, etc.

- 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 Guidelines" in this Chapter) to organize the issues, etc. found during monitoring to evaluate the ML/TF risk management framework of each financial institution, etc. and develop a further effective framework, etc.

The FSA 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 FSA Guidelines by the persons concerned in March 2021.

Required revisions were made to these FAQs in March and August 2022, and in April 2024.

Furthermore, for the steady implementation of the framework development to respond to the FSA Guidelines, the completion deadline (March 2024) was established in April 2021 for the matters required by the FSA Guidelines to be responded to, and it was requested via individual industry associations and the websites of the FSA to develop the framework. In June 2024, the FSA published a report titled "Efforts and Challenges in AML/CFT Measures," which summarizes the responses of business operators under its supervision

and the initiatives undertaken by the FSA.

- 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 CDD. 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. Furthermore, in April 2024, the Ministry of Finance published a new brochure for currency exchange operators, reflecting the contents of the aforementioned guidelines.
- In October 2021, the Ministry of Agriculture, Forestry and Fisheries (MAFF), and 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 Futures Trading Business to implement a more effective framework development.

In addition, for the steady implementation of the framework 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 relevant industry associations to develop the framework. The status of the development of a framework 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 the 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 the Guidelines (as of the end of the fiscal year).

In addition, from April 2024 onward, new license applicants are required to specifically describe in their application documents the status of framework development in accordance with the Guidelines.

ii) For credit card operators

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 Combating Terrorist Financing in the Credit Card Business to develop an effective framework 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 framework, 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 framework.

iii) For real estate brokers

In October 2022, the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) established the Guidelines for Anti-Money Laundering and Combating Terrorist Financing in Real Estate Agency Business and promoted awareness of the guidelines through relevant industry associations.

iv) For dealers in precious metals and stones

In February 2022, the METI established the Guidelines for Anti-Money Laundering and Combating 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.

v) For postal receiving service providers

In December 2021, the METI established the Guidelines for Anti-Money Laundering and Combating Terrorist Financing in the Postal Receiving Service Business, and since 2022, the METI has been conducting inspections and providing supervision according to the policy and guidelines.

vi) For telephone receiving/telephone forwarding service providers

In March 2022, the Ministry of Internal Affairs and Communications (MIC) established the Guidelines for Anti-Money Laundering and Combating 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.

vii) For judicial scriveners

In April 2024, the Ministry of Justice, together with the Japan Federation of Shihō-shoshi Lawyer's Associations (hereinafter referred to as "JFSLA"), formulated the "Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism in the Business of Judicial Scriveners and Judicial Scrivener Corporations" and disseminated it through each Shihō-shoshi

Lawyer's associations.

viii) For certified administrative procedures legal specialists

In April 2024, the Ministry of Internal Affairs and Communications established the "Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism in the Business of Certified Administrative Procedures Legal Specialists and Certified Administrative Procedures Legal Specialist Corporations" and promoted awareness of the guidelines through relevant industry associations.

ix) For certified public accountants

In April 2024, the Financial Services Agency established the "Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism by Certified Public Accountants and Audit Firms" and promoted awareness of the guidelines through relevant industry associations.

x) For certified public tax accountants

In April 2024, the National Tax Agency (NTA) established the "Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism for Certified Public Tax Accountants and Certified Public Tax Accountants' Corporation" and promoted awareness of the guidelines through relevant industry associations.

(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 local finance bureaus, etc., the FSA holds lectures and seminars for financial institutions, etc., to continuously improve AML/CFT measures, etc. During 2024, it held 95 lectures and seminars for the development of frameworks of financial institutions in Japan.
- In June 2024, 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 2024, 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, in cooperation with industry associations, endeavored to raise the level of framework development by holding a briefing session on complying with the "Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism in the Commodity Futures Trading Business".

(2) For real estate brokers

Each regional development bureau, etc., of the MILT and each prefectural government carry out an “onsite inspection of real estate brokers” 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 Real Estate Brokerage 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.

In September 2024, the MILT held study sessions regarding AML/CFT measures for officials of the Regional Development Bureaus and prefectural governments, with the aim of strengthening the supervisory framework.

#### (3) For dealers in precious metals and stones

In October 2024, the 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. In fiscal year 2024, to cooperate with the National Police Agency's measures to prevent online and telephone fraud, an educational pamphlet created by the National Police Agency on preventing the damage from online and telephone fraud was enclosed with the questionnaire for the survey on the implementation status of the actions required under the Act on Prevention of Transfer of Criminal Proceeds, which were sent to dealers in precious metals and stones.

#### (4) For postal receiving service providers

The 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 on Responses to the Act on Prevention of Transfer of Criminal Proceeds for Postal Receiving Service Providers" document for postal receiving service providers, which includes the efforts made to prevent illegal use. In addition, an explanatory movie has been posted on the METI's website since July 2019.

#### (5) For telephone receiving/telephone forwarding service providers

In August 2024, 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 August 2024, the FSA dispatched officials to a summer training course organized by the Japanese Institute of Certified Public Accountants (hereinafter referred to as "JICPA") for its members, where an outline of the "Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism by Certified Public Accountants and Audit Firms" was explained.

(7) For certified public tax accountants

In June 2024, in collaboration with the Japan Federation of Certified Public Tax Accountants' Associations (hereinafter referred to as "JFCPTAA") and the MOF, the NTA created a training video on AML/CFT measures required by certified public tax accountants, discussing the need for measures in Japan, verification at the time of transaction, and overview of obligation of reporting STRs, to be posted on the JFCPTAA website (limited to certified public tax accountant members).

### **3. Visits to Specified Business Operators, etc.**

In 2024, the NPA visited banks and other financial institutions as well as cryptoasset exchange service providers, designated non-financial businesses and professions (DNFBPs) individually. It also conducted opinion exchanges with Japan Virtual and Crypto assets Exchange Association in July of the same year to explain the matters that they need to pay attention to for STR reporting.

### **4. Other Measures**

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

When the United Nations Security Council adopts a resolution requiring countries to freeze the funds or other assets of any persons or entities in order to prevent and suppress terrorism and terrorist financing, the NPA, in cooperation with the relevant ministries and agencies, disseminates the content to specified business operators and requests 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) Strengthening measures to prevent the illicit use, etc., of deposit/savings accounts

Recently, there has been a growing number of cases involving social media-based investment and romance frauds, phishing, and online and telephone fraud, as well as cases in which corporate accounts have been misused. The modus operandi of crimes is becoming increasingly sophisticated and diversified, resulting in a rise in damages suffered by financial institution users. In view of this situation, the FSA and the NPA jointly issued a request to the relevant industry associations, calling for further strengthening of measures to prevent the fraudulent use of deposit/savings accounts, including corporate accounts.

(3) 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.

- Website of the National Police Agency  
<https://www.npa.go.jp>
- Website of the JAFIC  
<https://www.npa.go.jp/sosikihanzai/jafic/index.htm>

## Section 2 Efforts of Specified Business Operators

### 1. Banking 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 and posters 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 ongoing CDD.

Since 2021, based on the results of the verification of advancement and efficiency improvement of current practices through the development of a small-scale experimental system for AI-based transaction filtering and monitoring, conducted in 2020 as part of the research project commissioned by the New Energy and Industrial Technology Development Organization (NEDO), the 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 ML/TF, and our nation's policy on responding to the demand, we, as an organization consisting of financial institutions for the system of mutual aid, shall promote the improved viability and effectiveness of measures against ML/TF 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." Since 2024, the JBA has been offering "Business Advancement Support Service" to participating financial institutions, aiming to facilitate information sharing among financial institutions and to enhance the expertise and human resource development of AML/CFT personnel. The service includes providing a "Practical Guide" summarizing operational procedures, conducting various training programs for personnel at all levels from frontline staff to management, and organizing "community" events to promote information sharing and network-building among financial institutions and their respective AML/CFT professionals.

In addition, a training handbook for members released in 1992 was revised in 2024. These revisions included 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 CDD).

## **2. Shinkin Bank (Credit Unions) Industry**

The National Association of Shinkin Banks (hereinafter referred to as "NASB") has continuously provided reference information through case studies conducted by the "AML/CFT Management Framework Study Group," which was established in March 2017 as part of its ongoing initiatives to support its members in appropriately addressing AML/CFT/CPF measures.

In particular, since April 2021, the NASB has provided support to its members in developing their framework, following a request from the FSA to complete measures required under the FSA Guidelines and establish the necessary framework by the end of March 2024.

As part of its support, the NASB held nine classes of the Study Group on Anti-Money Laundering, with officials of the FSA as lecturers, from December 2021 to May 2022. The information was provided by distributing videos of the study sessions, preparing and providing lecture records and Q&A summaries, and compiling a reference document titled "Key Factors for Framework Development in Light of Guidelines concerning Money-Laundering" (hereinafter referred to as "Commentary" in this Paragraph). Since November 2022, in order to help each shinkin bank resolve practical issues and concerns that might arise in the course of developing its framework, the NASB has held study sessions and briefing sessions on specific topics in line with the needs of members. In May 2024, the NASB provided information on "Responses required on the third line."

In October 2023, examples of regulations based on the contents of commentaries were distributed to ensure the implementation of the necessary frameworks.

Subsequently, following the revision of the "Frequently Asked Questions Regarding "Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism"(FAQ)" in April 2024, which serves as the basis for the examples of regulations, the NASB provided relevant information during briefing sessions and revised the examples of regulations accordingly.

Regarding ongoing CDD, which is an issue in the financial sector, the NASB has been providing support to its members, including preparing tools to raise awareness and advertise in order to broaden customers' understanding (creating a video to be played at banks, and leaflets with the names of the FSA and the NASB printed on them to be presented and distributed to customers).

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

### **3. Labour Bank Industry**

The Rokinren Bank (the Federation of Labour Banks) provides each labour bank with templates of regulations related to AML/CFT measures, including the industry-wide "Basic Regulations on Anti-Money Laundering, Counter-Terrorist Financing, and Counter-Proliferation Financing Measures." Through this support, the Rokinren Bank assists labour banks in enhancing their frameworks, so that they can implement AML/CFT measures more effectively and appropriately, in addition to the frameworks they have already established based on the "Basic Regulations on Deposit Operations" and the "Guidelines for Customer Due Diligence Procedures."

Each labour bank has completed the development of AML/CFT-related regulations tailored to its own size, business area, and other specific characteristics. Currently, they are working to promote awareness of the established measures among executives and employees through training and other initiatives, with the aim of preventing customers and users from being unintentionally involved in money laundering or other financial crimes.

In addition, with regard to AML/CFT measures, the labour banks hold regular opinion exchange meetings among their respective officers in charge, providing opportunities to confirm how other labour banks handle such matters and to resolve any questions. Furthermore, briefing sessions are held with officials from the FSA and the Ministry of Health, Labour and Welfare invited as speakers, serving as important occasions for each labour bank to stay informed of the latest domestic and international developments.

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

#### **4. Credit Cooperatives Industry**

To ensure that all credit cooperatives implement AML/CFT measures, the National Central Society of Credit Cooperatives (NCSCC) promptly informs its members of the published FATF Recommendations, amendments to the list of parties subject to asset freezing, and reference cases of suspicious transactions, etc.

In order for credit cooperative members to comply with matters requested by the FSA in the FSA Guidelines by March 2024, nine study sessions on AML measures were held nationwide from November to December 2023, and Q&A discussions from each region were compiled for distribution. Samples of "Risk Assessment Report" and "Procedure for Preparing Risk Assessment Reports" that reflect the National Risk Assessment Follow-up Report (published in December 2023) and the "Checklist for AML Audit System (draft)" which is essential to PDCA, were provided, along with visits to member credit cooperatives for any support upon request.

The increase of fraudulent use of corporate accounts reported in May 2024 has led to measures in raising its awareness and enhancing strategies to prevent the fraudulent use of deposit/savings accounts including those of corporate accounts. Member credit cooperatives are notified of cases of fraudulent account use of within the industry as an information sharing initiative. In August 2024, a study session was held for management to encourage their active involvement in establishing AML frameworks.

In order to help obtain customer understanding and cooperation for matters such as AML/CFT measures, an information leaflet for customers (about updating customer information pertaining to ongoing CDD) and a video to raise customer awareness, which have been created and provided to members with the support from FSA.

The credit cooperatives joint system center provides an SAML system (SKC/AML system) that supports the industry's AML measures through its transaction filtering/monitoring function and customer information maintenance function that rates customers in terms of risk.

#### **5. Agricultural Cooperatives and Fishery Cooperatives Industry**

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.

In addition, in preparation for the "Establishment of a framework to combat ML/TF" set by the MAFF and the FSA, which have a deadline of March 2024, they have launched the coordinated money laundering management system, which includes agricultural cooperatives and fishery cooperatives, as planned, and completed the establishment of the framework within the deadline. They are also continuously working to improve CDD, transaction monitoring and transaction filtering.

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. They are also taking ongoing measures, including introducing a checklist to be used at the time of account opening, adding a provision for restricting transactions to the regulations on savings accounts and managing the period of stay of foreign customers.

## **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 2024, in a continuation of actions carried out in 2023, 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 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 incorporating "guidelines for compliance with laws and regulations, etc." and "guidelines for severing relationships with antisocial forces" into its 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 documents to independent agents, which are the main sales channels of non-life insurance companies.

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

In April 2018, the GIAJ established a project team, which has since been continuously informing members of various legal amendments, sharing information and exchanging opinions among members, and posting information on the GIAJ website.

## 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, local 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 to laws and regulations, etc., when amendments are made to the Act on Prevention of Transfer of Criminal Proceeds, etc., the JSDA shares information with its members as appropriate and collects opinions from its members to submit to the NPA and the FSA.

Furthermore, the JSDA summarized and disseminated to its members, in accordance with the FSA Guidelines and Outline of and Views on Comments with respect to the FSA 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 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.

The JSDA provided online training (on-demand distribution of the recorded video) for its members on the theme of the AML/CFT measures.

## **9. Money lending 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 frameworks 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), and provides instructions on internal rules.

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 frameworks are established based on the Guidelines for Internal Rules Development on preventive measures against ML/TF and the damages caused by antisocial forces.

In addition, training sessions for framework development are being held for and videos depicting such training sessions are being distributed to money lenders as required by the FSA Guidelines.

In fiscal year 2024, JFSA also worked to enhance the framework to prevent ML/TF and damage by antisocial groups in the moneylending industry by, for example, revising guidelines on formulating internal rules, in light of the amendments of the Act on Prevention of Transfer of Criminal Proceeds.

## **10. Fund Transfer Industry**

The Japan Payment Service Association (JPSA) provides self-regulation rules and model internal regulations that require its members to establish a framework to ensure proper verification at the time of transaction and reporting STRs. The JPSA also prepares Q&As on the Act on Prevention of Transfer of Criminal Proceeds and FEFTA, and reviews self-regulation rules and model internal regulations in light of amendments to relevant laws and regulations including the Act on Prevention of Transfer of Criminal Proceeds, FEFTA, and the FSA Guidelines. The website for members contains various information from the FSA on financial institutions subject to economic sanctions such as asset freezes, and finance-related measures against

countries such as North Korea. In cooperation with the FSA and other organizations, various information forums and study sessions are provided to enhance the industry's overall AML/CFT framework.

In response to the items on the FSA Guideline required to be completed and implemented by March 2024, basic regulations for AML/CFT measures (reference sample) were compiled and distributed to the members on January 2024. The consulting firm that was commissioned to compile this information also held seminars to provide references and case studies. In cooperation with the FSA, a seminar was held within the same month to share the results of the "Survey Regarding AML/CFT Measures" and items to be considered before the deadline, and followed up on the progress of establishing frameworks in March 2024. Given that the revised FEFTA now requires risk-based responses and frameworks regarding economic sanctions and the CPF risk assessment is formulated, a seminar was held for "Guidelines on Compliance with the FEFTA and Related Regulations for Foreign Exchange Transaction Service Providers" (hereinafter referred to as "Foreign Exchange Guidelines" in this Paragraph) in January 2024, and another seminar was held to give the overview of CPF risk assessment reports in February 2024. Regarding the September 2023 summary (hereinafter referred to as "Commentary" in this Paragraph) of key points and considerations based on the meeting minutes of the FSA Guideline seminars, it was reviewed and revised in light of the April 2024 revision of the "FAQ on the Guidelines for AML/CFT Measures," which clarified the requirements for identifying customers eligible for SDD, including "low-risk customers" and two other points, and emphasized the need to select eligible customers based on each institution's risk analysis of its customer base. The revised Commentary was then distributed to the members.

In January 2024, "Q&A on the Act on Prevention of Transfer of Criminal Proceeds" was revised to include additional information on specific business and transactions of issuers of high-value electronically transferable prepaid payment instruments, as well as the handling of transitional measures for verification at the time of transaction. In April 2024, "Q&A on Foreign Exchange and Foreign Trade Act" was revised to include compliance with regulations regarding foreign exchange transactions and risk mitigation measures (asset freezes, etc.) as per required by Foreign Exchange Guidelines. These updated documents were distributed to the members.

## **11. Cryptoasset Exchange Services Industry**

In accordance with the FSA Guidelines, the Japan Virtual and Crypto assets Exchange Association (JVCEA) developed and published self-regulation rules titled "Rules and Guidelines for AML/CFT Measures on Cryptoasset Exchange Services" as well as the "Rules and Guidelines for AML/CFT Measures on Derivatives Related to Cryptoassets." Along with the said Rules and Guidelines, the JVCEA developed and

published the "Rules Regarding the Severance of Relationships with Antisocial Forces Related to Cryptoasset Exchange Services" and the "Rules Regarding the Severance of Relationships with Antisocial Forces in connection with Derivatives Related to Cryptoassets."

Also, in response to developments such as the addition of virtual asset-related items in the FATF standards, the JVCEA promotes various efforts with the utmost priority toward implementing the AML/CFT measures in the industry. Specifically, the JVCEA conducts reviews and consultations based on its self-regulation rules through the activities for the early improvement of members' framework development and detection abilities based on a risk-based approach and the monitoring of the CDD framework and the STR reporting of members. Furthermore, the FATF Standards, which were amended in 2019, introduced regulations (so-called travel rules) that imposed on the transfer of virtual assets via virtual asset service providers the same notification obligation as that of an electronic money transfer. In response to this amendment, the JVCEA worked on specific actions, for example, by introducing travel rules entitled the "Rules for AML/CFT Measures on Cryptoassets Exchange Services" starting in April 2022, ahead of regulatory requirements. In response to the enforcement of the amended Act on Prevention of Transfer of Criminal Proceeds in June 2023, which established statutory obligations regarding the travel rules, including verification requirements when concluding partnership agreements with foreign service providers for cryptoasset transfers and obligations concerning unhosted wallets, the JVCEA has once again revised its self-regulatory rules and guidelines. The revised rules came into effect in June 2024. In addition, with the aim of contributing to compliance with and the development of frameworks for complying with the FEFTA and related regulations (including, in this Paragraph, the Guidelines for Foreign Exchange Transactions Service Providers on Compliance with the FEFTA and Related Regulations, etc.), the JVCEA is considering formulating self-regulatory rules regarding the FEFTA and related regulations for the cryptoassets exchange business.

Regarding the full implementation of the "Required actions for a financial institution" in the FSA Guidelines, which have a deadline of March 2024, in order to raise the level of AML/CFT frameworks development among cryptoassets exchange service providers, efforts have been made such as creating reference materials that provide more specific details about the FSA Guidelines and the "Frequently Asked Questions Regarding "Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism" (FAQ)," providing guidance on self-inspections, exchanging opinions with the FSA, holding study sessions with FSA officials as lecturers, and following up on the full implementation deadline. The JVCEA plans to continue providing guidance to further improve the frameworks.

In addition, since fiscal year 2023, continuous efforts have been made to prevent

damage from fraud using cryptoassets. To this end, various lectures are being provided to consultants at the National Consumer Affairs Center of Japan in order to promote efforts in terms of improving user literacy.

## **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, the 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 creates and provides members with “FAQs about the Act on Prevention of Criminal Proceeds, the Cabinet Order and the Regulations of the Act” to promote understanding about the specific measures for commodity futures traders 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 Futures Trading. In response, the 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 Futures Trading Business,' How to Respond to ML/TF" and explained the content of the amendment in an explanatory meeting conducted by the MAFF and the METI in May 2022, aimed at responding to the Guidelines.

In response to the request from the MAFF and the METI for member companies to complete the development of their frameworks related to the matters required by the guidelines by the March 2024 deadline, key points for framework development were compiled based on actual examples of initiatives undertaken by member companies. These key points were provided to members, and training sessions for chief internal

control officers and other relevant personnel were held in fiscal year 2023.

As part of its support for member companies in implementing AML/CFT measures, the CFAJ newly set up a dedicated page titled "About AML Measures" on its website. The purpose of this page is to consolidate and clearly present relevant information, including the Act on Prevention of Transfer of Criminal Proceeds and notifications from competent authorities.

### **13. Book-entry transfer institutions**

The Japan Securities Depository Center, Inc. (JASDEC) is a designated book-entry institution under the Act on Book-Entry Transfer of Corporate Bonds and Shares, etc. and is an organization that handles the transfer of listed stocks, public bonds (excluding government bonds), corporate bonds, short-term corporate bonds, investment trusts, and other computerized securities in the securities market, as well as the operation of other book-entry transfer systems.

The JASDEC, as a specified business operator under the Act on Prevention of Transfer of Criminal Proceeds, updates its "documents prepared by specified business operators, etc." and other related documents. This is done by reassessing the risk of its transactions being misused for the transfer of criminal proceeds, taking into account the contents of the "National Risk Assessment-Follow-up Report" and other materials published by the NPSC, as well as the actual nature of its transactions.

In response to requests from relevant authorities, the JASDEC also provides notifications both internally and to affiliated business partners regarding revisions to asset freeze lists, such as those concerning Taliban-related individuals, in an effort to prevent ML/TF. In addition, the JASDEC has developed an operational manual that includes explanations of the Act on Prevention of Transfer of Criminal Proceeds and provides information internally regarding obligations under the Act. It also reflects updates to its "documents prepared by specified business operators, etc." in the manual as necessary, thereby working to strengthen its internal framework to ensure appropriate responses to AML/CFT.

### **14. 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 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, etc." and utilizing their results, notifying participating financial institutions of their results, and requesting them to implement appropriate measures.

In addition, some institutions also participate in AML/CFT liaison meetings held within their corporate groups, share information on the latest trends and case

studies, and provide AML/CFT training for all of their employees.

## **15. 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 their framework for detecting suspicious transactions by lowering the threshold for CDD and utilizing a check sheet to examine whether a transaction falls under a suspicious transaction at the time of transaction.

## **16. Leasing Industry**

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 2024, 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 order to prevent multiple leasing of construction machinery, which involves large contract amounts per transaction, the JLA is working on developing a "common database for the leasing industry on construction machinery ownership" to enable member companies to share information on ownership and related details. The system is scheduled to commence operation on April 1, 2025.

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 Combating 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 to members that have deficiencies in their transactions, found as a result of the investigation, and 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.

## **17. 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 "documents prepared by specified business operators, etc." set forth in 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 June 2023, the JCA held its second briefing session in person and via video streaming, following on from the previous year, to inform member companies of the measures to be taken in accordance with the guidelines, which have a completion deadline of the end of March 2024.

In 2024, the JCA continued to provide members with information related to money laundering at information liaison meetings nationwide.

## **18. 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 the whole industry 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 Real Estate Brokers by inviting officials of the MOF and the MLIT and distributed the contents of the lecture to member companies on its website.

In February 2024, the Kanagawa Prefectural Headquarters of the All Japan Real Estate Association and the Kanagawa Prefectural Real Estate Transaction Association concluded an "Agreement on Measures to Prevent the Transfer of Criminal Proceeds" with the Kanagawa Prefectural Police Headquarters. Through this agreement, they are working collaboratively on AML measures.

## **19. Precious Metals and Stones Industry**

In 2024, the Japan Jewellery Association (JJA) continued to distribute awareness-raising 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 to people visiting the jewelry exhibition that was held in January, in order to raise awareness of the legal system among consumers and business operators in the industry. 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 September 2024, concerning the Guidelines for Anti-Money Laundering and Combatting Terrorist Financing in the Jewelry and Precious Metals Business that were formulated by the METI in February 2022, the JGMA invited lecturers from the METI to hold seminars and to raise awareness about AML/CFT etc. pursuant to the said Guidelines. The JGMA requires its members to strictly check import documents when purchasing gold bullion brought into Japan from overseas, which it posts on the JGMA website to make sure it is widely known to the relevant parties in the industry. 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 the METI.

## **20. Secondhand Goods and Pawnbroking Business**

In 2024, 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, etc. to their members, 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 to raise awareness among its members about the Act on Prevention of Transfer of Criminal Proceeds.

## **21. 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 "Regulations on Customer Identity Verification and Record-Keeping" (referred to in this Paragraph as the "Regulations") and the "Rules on Customer

Identity Verification and Record-Keeping" (referred to in this Paragraph as the "Rules").

These Regulations and Rules 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 Regulations and Rules were partially revised in line with the full enforcement of the amended Act on Prevention of Transfer of Criminal Proceeds in 2014, and came into force on October 1, 2016.

The Regulations and Rules were partially amended, 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 to consider the Risk Assessment for Money Laundering in Legal Practice before undertaking an offer.

In addition, since April 2024, the JFBA has launched an AML Help Desk, which accepts consultations and information from its members regarding cases that may involve, or are suspected to involve, the transfer of criminal proceeds.

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 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) 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 the JFBA's journal "Liberty and Justice," an institutional magazine distributed to all JFBA members.

In addition, the 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.

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

In the JFBA's journal "Liberty and Justice," 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.

## **22. Judicial Scriveners Associations**

The Japan Federation of Shiho-shoshi Lawyer's Associations (JFSLA) has worked on AML/CFT measures required in the context of judicial scrivener services. As part of such efforts, the JFSLA partially amended its Standards for Regulations of Shiho-shoshi Lawyer's Associations, which include the obligations to identify customers, and keep records of clients, etc., requiring that each Shiho-shoshi Lawyer's Association to amend its regulations, and it established "the Standards for rules to identify customers", and the "Guidelines on ML/TF in the Business of Judicial Scriveners and Judicial Scriveners' Corporations." The JFSLA has also worked to ensure that the members become familiar with the rules to identify customers and recordkeeping in relation to the services they provide, as well as AML/CFT measures through each Shiho-shoshi Lawyer's Association. In light of the amendment to the Act on Prevention of Transfer of Criminal Proceeds in 2022, which added confirmation items at the time of transaction, the JFSLA created a leaflet to inform the members of the amendment and provided it to each Shiho-shoshi Lawyer's Association and its members. In addition, as an alternative measure to reporting STRs, the JFSLA partially amended the "Standards for Regulations of Shiho-shoshi Lawyer's Associations" and the "Appendix Form Rules for Regulations of Shiho-shoshi Lawyer's Associations" and established the "Standards for Rules on Special Incident Reports," which require members to submit reports (hereinafter referred to as "Special Incident Reports") under certain conditions when they come across suspicious transactions. In connection with this, in March 2024, explanatory materials titled "Commentary on the 'Special Incident Report'" and "collection of

'Reference Cases of Risk Factors' for Judicial Scriveners Regarding ML/TF" were prepared. These materials were provided to members through each Shihō-shoshi Lawyer's Association to facilitate the smooth submission of the Special Incident Report and to assist in their professional practice.

While each Shihō-shoshi Lawyer's Association will provide their members with guidance on specific services, the JFSLA 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. Since fiscal year 2021, the AML/CFT Measures Task Force was established to continue deliberations. In addition, the JFSLA requested each Shihō-shoshi Lawyer's Association to select persons in charge related to AML/CFT measures, and held explanatory meetings in September 2021, February 2023, and February 2024 for the persons in charge to let them have common recognition for the risk-based approach. Such explanatory meetings and opinion exchanges are to be continued in fiscal year 2024 as well. Furthermore, in July 2022, the JFSLA made Q&As for responding to the results of the FATF Fourth Round Mutual Evaluation Report of Japan and provided it to each Shihō-shoshi Lawyer's Association.

Each Shihō-shoshi Lawyer's Association requires their members to submit to the associations reports on the verification of identification matters 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 JFSLA amended the regulation of JFSLA in 2019 to require each Shihō-shoshi Lawyer's Association to provide the JFSLA with aggregate figures related to Specified Incident Reports submitted by their members. From fiscal year 2020, the JFSLA has examined and analyzed Specified Incident Reports submitted by members, and has also collected specific examples of suspicious transactions in the specified operations set forth in the Act on Prevention of Transfer of Criminal Proceeds, with considering the necessity to provide the members with actual examples of suspicious transactions unique to judicial scrivener services in order them to be able to effectively and appropriately handle requests from clients made for the purpose of transferring criminal proceeds.

In August 2020, the JFSLA issued FAQs on the handling of actual work under the Act on Prevention of Transfer of Criminal Proceeds for 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 each Shihō-shoshi Lawyer's Association through the Associations. The JFSLA also issued explanations of Specified Incident Reports and announced them to each Shihō-shoshi Lawyer's

Association so that the members can refer to the explanations when preparing Specified Incident Reports. In October 2020, the JFSLA reviewed items to be reported in Specified Incident Reports to make it easier for members of the Shiho-shoshi Lawyer's Associations to prepare Specified Incident Reports. In addition, in March 2024, the JFSLA formulated a "Guideline for a Risk-Based Approach (Concepts)" and distributed it to the members through each Shiho-shoshi Lawyer's Association.

The JFSLA also created various training DVDs containing contents such as the trends in AML/CFT measures and judicial scrivener services, etc. (March 2019), Specified Incident Reports (November 2019), AML/CFT measures and dealing with respond to FATF (September 2022), and the amended Act on Prevention of Transfer of Criminal Proceeds and judicial scrivener services (March 2024). The JFSLA distributed the DVDs to the Shiho-shoshi Lawyer's Associations and also posted them in its training library which, they are available to the members of each Shiho-shoshi Lawyer's Association to promote their understanding.

In addition, the JFSLA, the eight regional Shiho-shoshi Lawyer's Associations, and each Shiho-shoshi Lawyer's Associations hold training sessions for current and new members 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.

The JFSLA installed a system for confirming validity of public personal authentication in February 2021 in order to digitalize and tighten customers identification.

### **23. Association of Certified Administrative Procedures Legal 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 Legal Specialists Associations (JFCAPLSA) 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, the JFCAPLSA keeps 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 JFCAPLSA is currently working on revising the handbook to reflect the amendments of the Act on Prevention of Transfer of Criminal Proceeds, which were enacted in December 2022.

The Ethics of Administrative Scriveners, which sets forth the basic stance for fulfilling the mission of administrative scriveners, prescribes 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, as well as the opportunity of general ethics training which was made

mandatory for all members through the revision of the association's rules in August 2023, the 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.

#### **24. Japanese Institute of Certified Public Accountants**

The JICPA continues to organize study sessions aimed to disseminate the overview of the Act on Prevention of Transfer of Criminal Proceeds and the need for AML measures. In August 2024, the JICPA held a study session on sample formats for verification/transaction records based on the Act on Prevention of Transfer of Criminal Proceeds, which were included in "Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism" that the FSA issued in accordance with the amended Act on Prevention of Transfer of Criminal Proceeds that became effective April 1, 2024, and "Sample Formats in Compliance with the Act on Prevention of Transfer of Criminal Proceeds" issued by the JICPA in July 2024.

The JICPA disseminates information on the Act on Prevention of Transfer of Criminal Proceeds, AML/CFT and other matters as appropriate 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, the JICPA works to inform its members of publications on AML and other matters released by the International Federation of Accountants (IFAC) and other bodies available on the JICPA's website. As mentioned above, in July 2024, the Committee on Laws and Regulations published Report No.4 "Sample Formats in Compliance with the Act on Prevention of Transfer of Criminal Proceeds" that includes sample formats for verification/transaction records and internal rules (sample rules) to implement measures such as the verification at the time of transaction.

In addition, in consideration of the public nature of audit services, the JICPA implements a "Quality Control Review System" to evaluate the management status of audits conducted by audit companies or certified public accountants, to properly maintain and improve audit quality and to ensure public trust. 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 Quality Control Review as an item to be confirmed in a quality control review.

#### **25. Japan Federation of Certified Public Tax Accountants' Associations**

The JFCPTAA informs all its members of AML measures by providing information

on complying with the Act on Prevention of Transfer of Criminal Proceeds on the JFCPTAA website, prepares and distributes leaflets (in Japanese and English) showing a work flowchart of the relationship between AML measures and tax services, and includes a section for the Act on Prevention of Transfer of Criminal Proceeds on various publications. In fiscal year 2024, the leaflet was updated in response to the amendments of the Act on Prevention of Transfer of Criminal Proceeds.

Since May 2019, the JFCPTAA website has posted the latest list of Taliban-related entities subject to asset freezing, and continues to work towards raising the awareness of the need to thoroughly comply with the obligation of verification at the time of transaction set forth in Article 4 of the Act on Prevention of Transfer of Criminal Proceeds.

Furthermore, in June 2024, in collaboration with the MOF and the NTA, the association created a training video on AML/CFT measures required of certified public tax accountants including measures needed by Japan, the overview of verification at the time of transaction and obligation of reporting STRs, and posted it on the members-only website of the JFCPTAA.

### Section 3 Request for the Submission of Reports and Statement of Opinions

When suspicion arises during the investigation of 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 a statement of opinions for the competent authorities.

#### 1. Order for the Submission of Reports and Statement of Opinions by the NPSC / the NPA

In 2024, the National Public Safety Commission and the National Police Agency ordered 3 postal receiving service providers to submit reports.

As a result, the following misconducts were found.

- Failed to conduct verification at the time of transaction by identity verification methods as specified in the Ordinance for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds.
- Not verifying the purpose of customer's transaction
- 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 statements of opinions to the competent 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	2020	2021	2022	2023	2024
<b>Number of orders for submission of a report</b>	<b>7</b>	<b>12</b>	<b>4</b>	<b>3</b>	<b>3</b>
Postal receiving service providers	0	2	0	0	3
Telephone receiving service providers	0	0	0	0	0
Telephone forwarding service providers	7	8	4	3	0
Postal receiving/telephone forwarding service providers	0	2	0	0	0
<b>Number of directions to conduct an inquiry to prefectural police</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Number of opinion statements submitted to competent administrative authorities</b>	<b>7</b>	<b>14</b>	<b>4</b>	<b>3</b>	<b>3</b>
Postal receiving service providers	0	4	0	0	3
Telephone receiving service providers	0	0	0	0	0
Telephone forwarding service providers	7	10	4	3	0

#### 2. Issuing of Rectification Orders by Competent Authorities Based on Statement of Opinions

The competent authorities that receive statement of opinions issued by the NPSC issue a rectification order against a specified business operator if such specified business operator mentioned in such statement of opinions is deemed to have violated

the provisions of the Act on Prevention of Transfer of Criminal Proceeds. During 2024, the METI issued one rectification order to a postal receiving service provider, and the MIC issued one rectification order to a telephone forwarding service provider.

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

Category	Year	2020	2021	2022	2023	2024
<b>Number of rectification orders based on opinion statements</b>		<b>2</b>	<b>4</b>	<b>4</b>	<b>0</b>	<b>2</b>
Postal receiving service providers		0	0	1	0	1
Telephone forwarding service providers		2	4	3	0	1

## 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 2024. (See Table 6-1)

**Table 6-1 [List of FATF Members (as of the end of December 2024)]**

Argentina	Australia	Austria	Belgium	Brazil
Canada	China	Denmark	European Commission (EC)	Finland
France	Germany	Greece	Gulf Cooperation Council (GCC)	Hong Kong, China
Iceland	India	Indonesia	Ireland	Israel
Italy	Japan	Korea	Luxembourg	Malaysia
Mexico	Netherlands	New Zealand	Norway	Portugal
Russian Federation <small>(Note)</small>	Saudi Arabia	Singapore	South Africa	Spain
Sweden	Switzerland	Turkey	United Kingdom	United States

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 document 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<sup>1</sup>, 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<sup>2</sup>, 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 member countries apply countermeasures, such as enhanced due diligence, and countermeasures according to the risks related to the deficiencies.

In response to the new 40 Recommendations, the FATF Fourth Round Mutual Evaluation started in 2013, and evaluation procedures have been carried out sequentially based on the assessment methodology (evaluation standard for assessors) that was adopted in the same year. The evaluations of all member countries were completed in 2024. Each country’s evaluation results of the Fourth Round Mutual Evaluation, which are based on the results at the time of the release of the MER, are as shown in Table 6-2.

From 2025, the Fifth Round of Mutual Evaluation is scheduled to commence sequentially, based on the assessment methodology adopted in 2022.

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<sup>1</sup> 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.”

<sup>2</sup> 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.”

**Table 6-2 [Results of the Fourth Round of Mutual Evaluation of FATF Members]**

	Member Name				
Regular follow-up countries	France	Greece	Hong Kong, China	India	Israel
	Italy	Luxembourg	Netherlands	Portugal	Russian Federation
	Spain	United Kingdom			
Enhanced follow-up countries	Argentina	Australia	Austria	Belgium	Brazil
	Canada	China	Denmark	Finland	Germany
	Indonesia	Ireland	Japan	Korea	Malaysia
	Mexico	New Zealand	Norway	Saudi Arabia	Singapore
	Sweden	Switzerland	United States		
Countries under ICRG review	Iceland	South Africa	Turkey		

### 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. Japan's MER was adopted in a FATF Plenary Meeting in June 2021 and publicly disclosed on August 30 of the same year. (Details of Japan's MER are described in Section 2.) With regard to the Fifth Round of Mutual Evaluation of Japan, an on-site visit by the assessment team is scheduled to take place around the summer of 2028, and the evaluation is expected to be conducted at the Plenary Meeting in February 2029.

### 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 (Singapore)



### 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 2024, the APG consisted of 42 jurisdictions, including Japan. (See Table 6-3)

**Table 6-3 [List of APG Members (as of the end of December 2024)]**

Afghanistan	Australia	Bangladesh	Bhutan
Brunei Darussalam	Cambodia	Canada	China
Chinese Taipei	Cook Islands	Fiji	Hong Kong, China
India	Indonesia	Japan	Korea
Lao PDR	Macao, China	Malaysia	Maldives
Marshall Islands	Mongolia	Myanmar	Nauru
Nepal	New Zealand	Niue	Pakistan
Palau	Papua New Guinea	Philippines	Samoa
Singapore	Solomon Islands	Sri Lanka	Thailand
Timor-Leste	Tonga	Tuvalu	United States
Vanuatu	Vietnam		

## 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 analysis 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 typologies workshop were both held in Tokyo in March 1998 and March 1999, respectively. Japan was the co-chair with permanent Co-Chair, Australia, between July 2004 and June 2006. For a two-year term from July 2024 to June 2026, Japan is serving for the second time as a Co-Chair, playing a leading role in the APG's activities.

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 typologies workshop every year.

### APG Annual Meeting (Abu Dhabi, UAE)



### **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 consists of the FIUs of 177 jurisdictions as of the end of December 2024.

#### **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.

JAFIO actively participated in the activities of the Egmont Group. It has sent staff members

#### **Annual meeting of the Egmont Group (Paris, France)**



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 a 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 co-sponsor, to confirm the progress made by Myanmar in the procedures for joining the Egmont Group.

#### **Paragraph 4 Participation in the Activities of International Organizations**

Table 6-4 shows that JAFIC actively participated in the activities of international organizations by dispatching its officials to various meetings in 2024.

**Table 6-4 Participation in the Activities of International Organizations in 2024**

	Month	Name of meeting	Location
FATF	February	Plenary Meeting	Paris, France
	June		Singapore
	October		Paris, France
APG	September	Annual Meeting	Abu Dhabi, UAE
Egmont Group	January	Working Group	Malta
	June	Annual Meeting	Paris, France

## Section 2 FATF Mutual Evaluation of Japan

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

As mentioned in the previous section, 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/convention/fatf/fatfhoudou_20210830_1.html)  
[https://www.mof.go.jp/policy/international\\_policy/amlcftcpf/3.efforts.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 6-5: 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 6-6: 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 6-5 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	Assessing risk & applying risk-based approach	LC	21	Tipping-off and confidentiality	C
2	National cooperation and coordination	PO ➔ LC	22	DNFBPs: Customer due diligence	PO ➔ LC
3	Money laundering offence	LC	23	DNFBPs: Other measures	PO ➔ LC
4	Confiscation and provisional measures	LC	24	Transparency and beneficial ownership of legal persons	PO ➔ LC
5	Terrorist financing offence	PO ➔ LC	25	Transparency and beneficial ownership of legal arrangements	PO ➔ LC
6	Targeted financial sanctions related to terrorism & terrorist financing	PO ➔ LC	26	Regulation and supervision of financial institutions	LC
7	Targeted financial sanctions related to proliferation	PO ➔ LC	27	Powers of supervisors	LC
8	Non-profit organisations	NO ➔ LC	28	Regulation and supervision of DNFBPs	PO ➔ LC
9	Financial institution secrecy laws	C	29	Financial intelligence units	C
10	Customer due diligence	LC	30	Responsibilities of law enforcement and investigative authorities	C
11	Record keeping	LC	31	Powers of law enforcement and investigative authorities	LC
12	Politically exposed persons	PO ➔ LC	32	Cash couriers	LC
13	Correspondent banking	LC	33	Statistics	LC
14	Money or value transfer services	LC	34	Guidance and feedback	LC
15	New technologies	LC	35	Sanctions	LC
16	Wire transfers	LC	36	International instruments	LC
17	Reliance on third parties	N/A	37	Mutual legal assistance	LC
18	Internal controls and foreign branches and subsidiaries	LC	38	Mutual legal assistance: freezing and confiscation	LC
19	Higher-risk countries	LC	39	Extradition	LC
20	Reporting of suspicious transactions	LC	40	Other forms of international cooperation	LC

Note: Technical compliance ratings consist of C – compliant, LC – largely compliant, PC – partially compliant, or NC – noncompliant; N/A means not applicable.

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

Effectiveness	Overview of effectiveness	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 in Response to 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 worked in cooperation on improving the items pointed out. 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.

In 2024, Japan submitted its third report and requested an upgrade in its rating for

Recommendation 7 "Targeted financial sanctions related to proliferation," Recommendation 8 "Non-profit organizations," Recommendation 12 "Politically exposed persons," Recommendation 22 "DNFBPs: Customer due diligence," Recommendation 23 "DNFBPs: Other measures," and Recommendation 25 "Transparency and beneficial ownership of legal arrangements." As a result, it was approved to change all of these ratings from "PC" to "LC," which was reported at the FATF Plenary Meeting in October 2024. As a result of these three reports of improvement to the FATF, all of the Recommendations that had been rated as "PC" or "NC" in the FATF Fourth Round of Mutual Evaluation of Japan were upgraded to "LC" (see Table 6-5).

As the implementation period of the aforementioned action plan had concluded, a new "National AML/CFT/CPF Action Plan (FY2024–26)" was formulated in April 2024 to enhance the effectiveness of domestic anti-money laundering measures and respond to changes in the risk environment, with a view to the upcoming Fifth Round of Mutual Evaluation of Japan.

- National AML/CFT/CPF Action Plan (August 30, 2021):  
[https://www.mof.go.jp/policy/international\\_policy/councils/aml\\_cft\\_policy/20210830\\_2.pdf](https://www.mof.go.jp/policy/international_policy/councils/aml_cft_policy/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](https://www.mof.go.jp/policy/international_policy/councils/aml_cft_policy/20220519_1.pdf)
- National AML/CFT/CPF Action Plan (FY2024-26):  
[https://www.mof.go.jp/policy/international\\_policy/councils/aml\\_cft\\_policy/20240417.pdf](https://www.mof.go.jp/policy/international_policy/councils/aml_cft_policy/20240417.pdf)

### Section 3 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 15 times in 2024.

##### 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. In addition, 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 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 2024, frameworks have been established with the FIUs of 119 jurisdictions. (The establishment of a framework with each of the Republic of Uganda, the Republic of Estonia, Grenada, the Republic of Serbia, and the Democratic Republic of Timor-Leste was completed in 2024.)

**Table 6-7 Jurisdictions with which JAFIC has Set the Frameworks for Information Exchange between FIUs**

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

## 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 2024, 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 335 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 6-8).

**Table 6-8 Number of Requests for Information between JAFIC and Foreign FIUs**

Category	Year	2020	2021	2022	2023	2024
Number of requests for information from JAFIC to foreign FIUs		214	170	231	350	335
Number of requests for information from foreign FIUs to JAFIC		47	63	43	50	82
Total		261	233	274	400	417

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 6-9).

**Table 6-9 Number of Spontaneous Information Disclosures between JAFIC and Foreign FIUs**

Category	Year	2020	2021	2022	2023	2024
Number of spontaneous information disclosures from JAFIC to foreign FIUs		152	207	115	59	110
Number of spontaneous information disclosures from foreign FIUs to JAFIC		67	76	106	73	60
Total		219	283	221	132	170

In 2024, there were 118 cases in which JAFIC disseminated information provided by foreign FIUs to domestic LEAs (see Table 6-10).

**Table 6-10 Number of Cases in Which JAFIC Shared Information Provided by Foreign FIUs with Domestic LEAs**

Category	Year	2020	2021	2022	2023	2024
Number of cases in which JAFIC disseminated information provided by foreign FIUs to domestic LEAs		162	142	118	166	118