

Summary of the Annual Report 2023

This is the summary of the 2023 annual report on the prevention of transfer of criminal proceeds. Please see the complete annual report for the details.

* The Act on Prevention of Transfer of Criminal Proceeds is as of June 1, 2023.

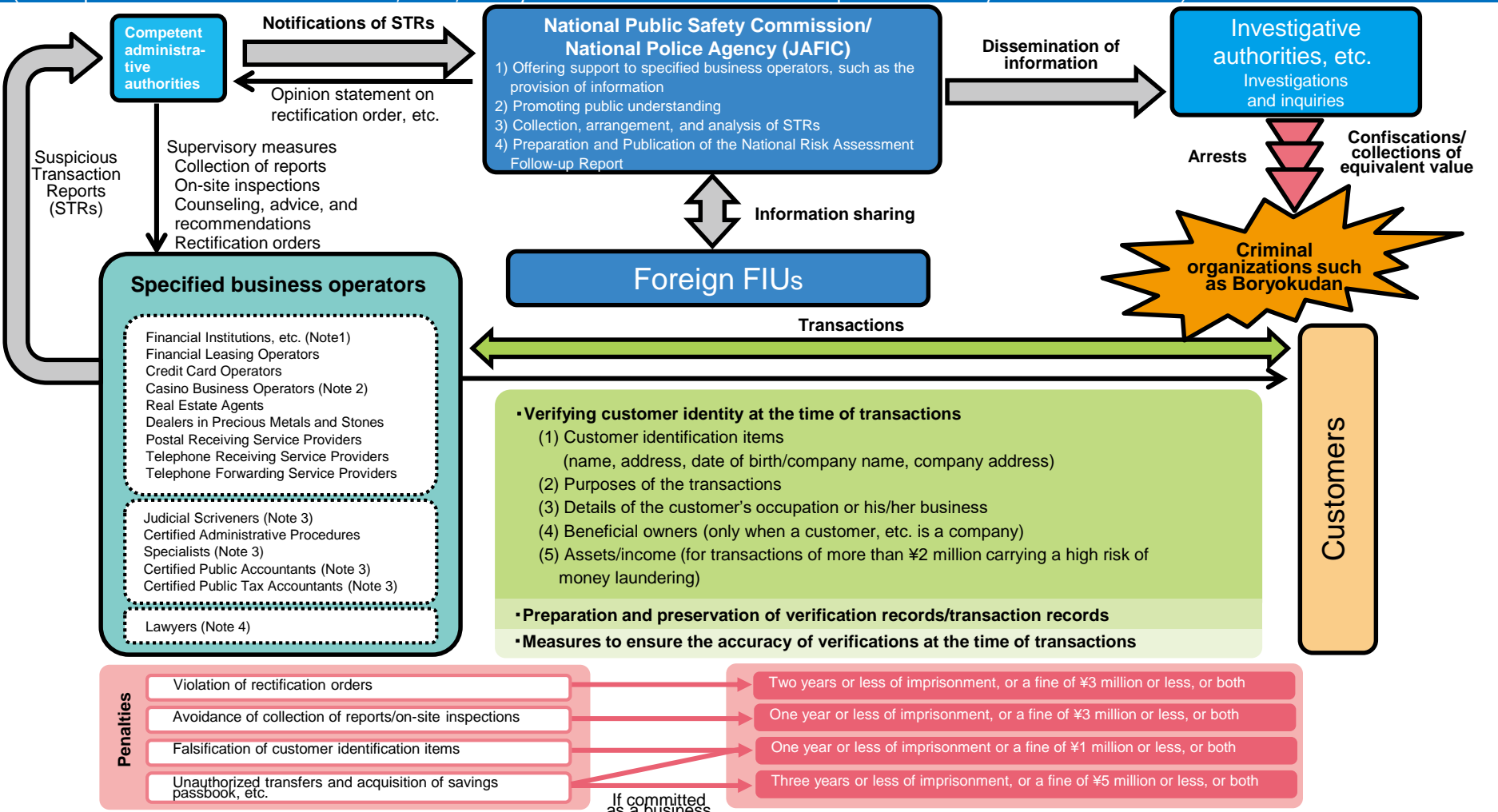
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1. Overview of the Act on Prevention of Transfer of Criminal Proceeds (Chapter 2)

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

The various systems related to the anti-money laundering measures under the Act and the relationships between the relevant organizations and business operators are as follows:
 (The explanation is current as of June 1, 2023, though it should be noted that some parts have not yet come into force.)



(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. At the time of a virtual asset transfer, a virtual assets exchange service provider or business operator engaged in transactions involving electronic means of payment, etc. is obligated to inform other virtual assets exchange service provider etc. of information related to their clients and recipients of the transfer at the time of virtual asset 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) Professions such as judicial scriveners, certified administrative procedures specialists, certified public accountants, and certified tax accountants are required to verify the information in (1) only.

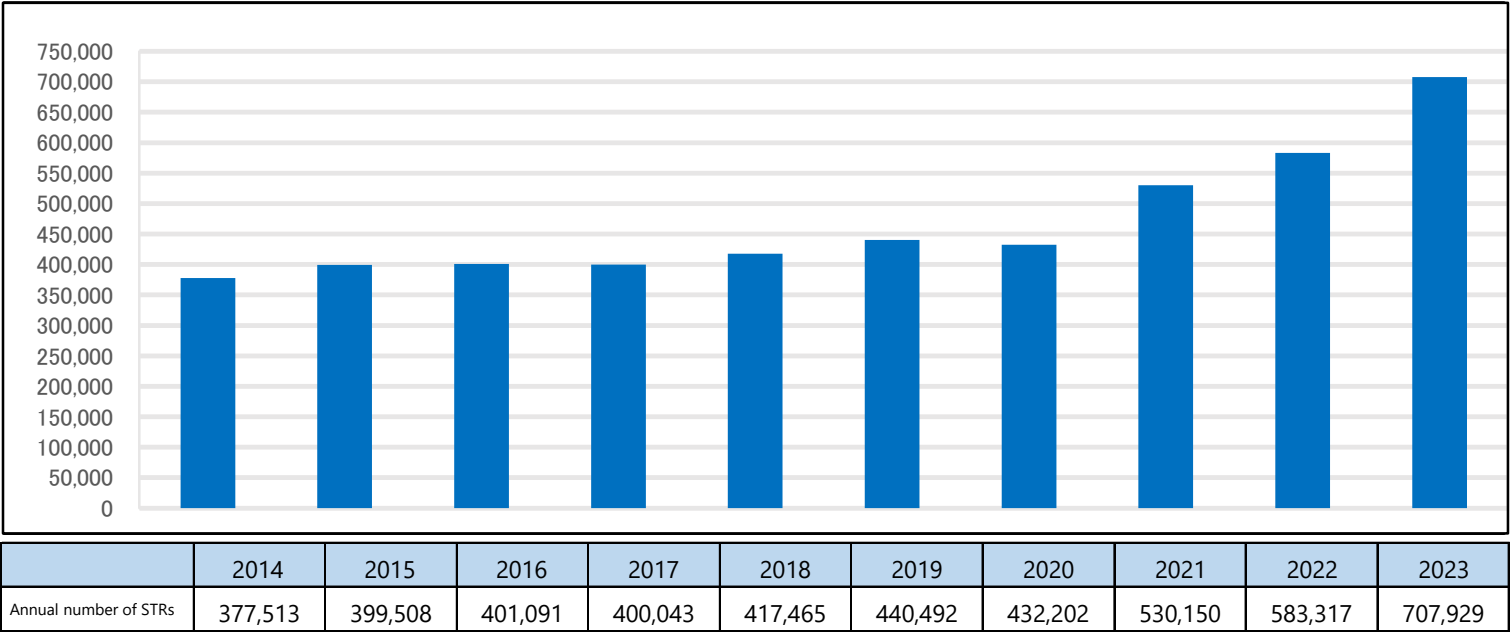
(Note 4) The Japan Federation of Bar Associations defines, in its bylaws, measures to ensure the accurate verification of transactions and the preparation/preservation of verification records and transaction records by lawyers. These rules are based on the examples of judicial scriveners and other professions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

2. Suspicious Transactions Reporting System (Chapter 3)

The Act on Prevention of Transfer of Criminal Proceeds requires that specified business operators file a report to the competent administrative authorities when a transaction is suspected of being related to criminal proceeds (lawyers, judicial scriveners, certified administrative procedures specialists, certified public accountants, and certified public tax accountants are not subject to this obligation). The number of STRs submitted by specified business operators to the competent administrative authorities in 2023 was more than 700,000, the highest ever.

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

○ Annual number of STRs



○ Number of Reports Disseminated to LEAs

	2019	2020	2021	2022	2023
Information on STRs	467,762	461,687	524,462	581,252	685,330

○ Use of STRs in the Prefectural Police Departments

1. Number of STRs Used for Investigative Purposes, etc.

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

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

STR-initiated Cases by Type of Crime	Year				
	2019	2020	2021	2022	2023
(i) Fraud-related crimes	933	873	855	877	917
(ii) Illegal stays	53	38	46	25	20
(iii) Violation of Act on Punishment of Organized Crimes	34	30	41	13	24
(iv) Drug crimes	39	45	39	28	23
(v) Counterfeiting crimes	15	8	17	16	24
(vi) Loan sharks	13	6	8	8	3
(vii) Entertainment business-related offences	4	3	2	2	3
(viii) Gambling-related offences	0	0	2	0	2
(ix) Other criminal offences	12	12	18	11	13
(x) Other special criminal offences	20	13	17	14	9
Total	1,123	1,028	1,045	994	1,038

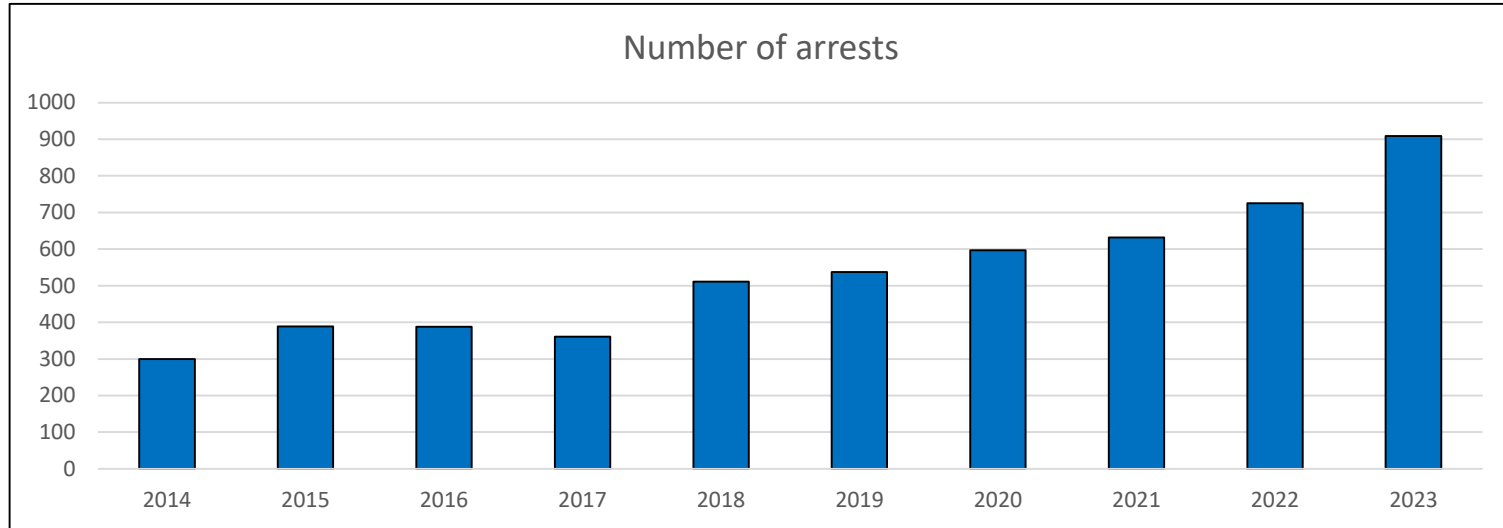
3. Number of STR-use Cases by Type of Crime (STR-use cases, excluding STR-initiated cases)

STR-use Cases by Type of Crime	Year				
	2019	2020	2021	2022	2023
(i) Fraud-related crimes	493	589	647	877	1,024
(ii) Illegal stays	36	27	41	30	43
(iii) Violation of Act on Punishment of Organized Crimes	37	40	37	61	77
(iv) Drug crimes	175	224	240	290	291
(v) Counterfeiting crimes	19	23	42	44	50
(vi) Loan sharks	10	18	12	11	10
(vii) Entertainment business-related offences	16	12	12	11	16
(viii) Gambling-related offences	9	9	10	4	10
(ix) Other criminal offences	244	373	366	443	555
(x) Other special criminal offences	63	82	94	95	84
Total	1,102	1,397	1,501	1,866	2,160

3. Cleared Cases of Money Laundering (Chapter 4)

In Japan, money laundering is criminalized as the following activities: the control of management of enterprises of legal persons and other entities through illicit proceeds, the concealment of criminal proceeds, and the receipt of criminal proceeds, which are all stipulated in the Act on Punishment of Organized Crimes, and also the concealment of drug-related criminal proceeds and the receipt of drug-related criminal proceeds, both stipulated in the Anti-Drug Special Provisions Law.

The number of arrests is as follows:

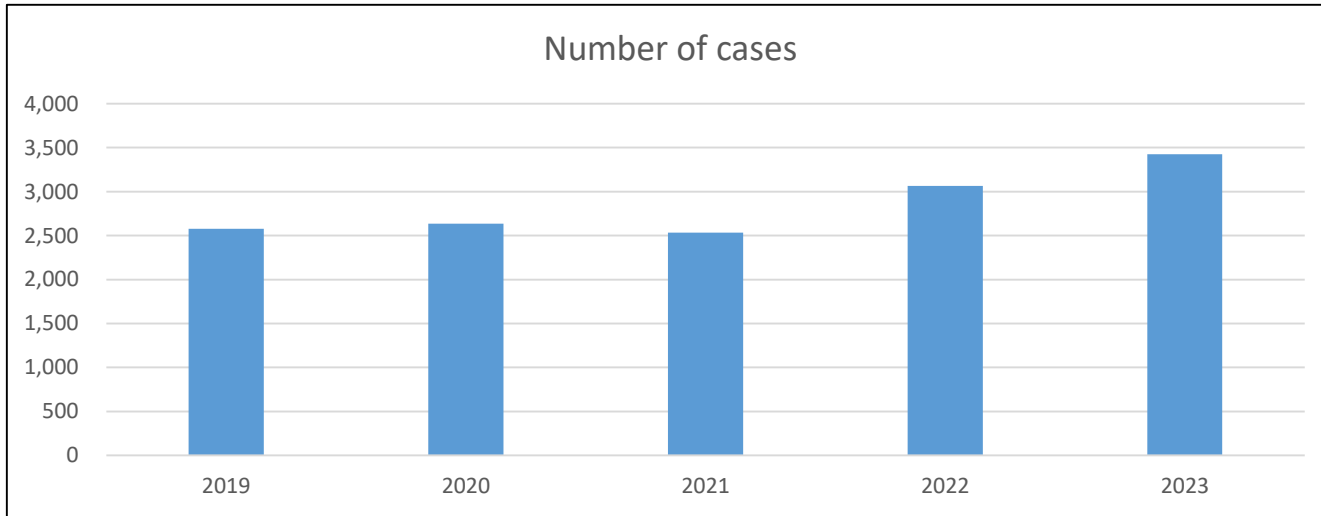


Category		Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
		Act on Punishment of Organized Crimes	Management Control through Illicit Proceeds (Article 9)	1	2	0	2	1	0	2	0	1
Concealment of Criminal Proceeds, etc. (Article 10)	180		234	268	240	377	378	413	461	578	696	
Receipt of Criminal Proceeds, etc. (Article 11)	112		145	112	111	126	150	182	162	130	191	
Total	293		381	380	353	504	528	597	623	709	888	
Anti-Drug Special Provisions Law	Concealment of drug-related criminal proceeds, etc. (Article 6)	5	5	5	7	5	8	3	5	15	20	
	Receipt of drug-related criminal proceeds, etc. (Article 7)	2	3	3	1	2	1	0	4	2	1	
	Total	7	8	8	8	7	9	3	9	17	21	
Number of arrests		300	389	388	361	511	537	600	632	726	909	

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

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

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



Category \ Year	2019	2020	2021	2022	2023
Transfer of deposit/savings passbook, etc.	2,479	2,539	2,446	2,951	3,230
Transfer of deposit/savings passbook, etc. (business)	44	18	27	18	43
Solicitation/inducement for transfer of deposit/savings passbooks, etc.	27	32	11	10	12
Transfer of foreign exchange cards, etc.	27	35	26	41	50
Transfer of information for crypto-assets exchange	0	6	23	46	89
Others	0	4	2	0	0
Total	2,577	2,634	2,535	3,066	3,424

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

When suspicion arises during the investigation of cases, including special fraud cases by the Prefectural Police, with regard to the possibility that a specified business operator (excluding lawyers) has violated the obligation of CDD and other matters prescribed in the Act on Prevention of Transfer of Criminal Proceeds, the National Public Safety Commission and the National Police Agency shall order the alleged specified business operators to submit a report and shall prepare an opinion statement for the competent administrative authorities. If the administrative authorities that receive the opinion statement believe that the specified business operator has violated the Act, they will issue a rectification order to the specified business operator. The numbers of orders for submission of reports, opinion statements submitted, and rectification orders issued are as follows:

		2019	2020	2021	2022	2023
Number of order for submission of reports		7	7	12	4	3
	Postal receiving service providers	0	0	2	0	0
	Telephone forwarding service providers	7	7	8	4	3
	Postal receiving/telephone forwarding service providers	0	0	2	0	0
Number of opinion statements submitted to competent administrative authorities		8	7	14	4	3
	Postal receiving service providers	0	0	4	0	0
	Telephone forwarding service providers	8	7	10	4	3
Number of rectification orders based on Opinion Statements		1	2	4	4	0
	Postal receiving service providers	0	0	0	1	0
	Telephone forwarding service providers	1	2	4	3	0

Collaboration between countries is essential to prevent cross-border ML/TF. For this reason, international standards for AML/CFT measures have been developed and adopted in the international community within the framework of FATF, APG, the Egmont Group, etc. Japan actively participates in such activities.

○ **FATF (Financial Action Task Force)**

○ **Organization**

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

FATF has 38 member countries and regions (including Japan) and two regional institutions as of the end of 2023.

○ **Activities**

The main activities of FATF are as follows.

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

○ **Mutual Evaluation**

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

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

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

The mutual evaluation results are summarized in the Mutual Evaluation Report (MER), which is adopted after being discussed at the FATF Plenary Meeting. The evaluation of the assessed countries is finalized upon the MER adoption. Based on the results of mutual evaluation, the assessed countries are classified into "regular follow-up countries," "enhanced follow-up countries," and "countries under ICRG review," and depending on the classification, they are required to report the improvement status of items pointed out for improvement in the MER.

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

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

- * Of the new 40 Recommendations, if a country has 8 or more PC/NC ratings in the TC assessment, or 7 or more ME/LE ratings in the effectiveness assessment, or if one or more significant recommendations (Recommendation 3, 5, 10, 11, 20) is rated either NC or PC, the country is placed into "enhanced follow-up countries."
- * Of the new 40 Recommendations, if a country has 20 or more PC/NC ratings in the TC assessment or 9 or more ME/LE ratings and 2 or more LE ratings in the effectiveness assessment, or if three or more of significant recommendations are rated either NC or PC, the country is placed "under review by ICRG."

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

For the Fourth Round Mutual Evaluation of Japan, the assessor team conducted an on-site visit in October/November 2019.

Japan's MER was adopted in an FATF Plenary Meeting in June 2021, and was publicly disclosed on August 30 of the same year.

Japan was evaluated enhanced follow-up and must work on the improvement of the matters pointed out in the Mutual Evaluation Report as procedures specified by FATF and report the improvement status at three consecutive FATF Plenary Meetings from October 2022.

Since 2022, Japan has submitted reports twice to the FATF and an upgrade in its rating from PC to LC for Recommendation 2 (Cooperation between relevant Japanese authorities), Recommendation 5 (Criminalizing the financing of terrorism), Recommendation 6 (Freezing assets of terrorists), Recommendation 24 (Beneficial owners of cooperation), 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) were approved and a report to the effect thereof was made at the FATF Plenary Meeting.

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

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

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

2. Results on Effectiveness (to Assess Whether the AML/CFT Systems are Working)

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

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

9. Information Exchanges with Foreign FIUs (Chapter 6)

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

The National Public Safety Commission (with the National Policy Agency placed in charge of administration) established a framework for exchanging information with the FIUs of 114 jurisdictions as of the end of 2023. JAFIC exchanged information with foreign FIUs as follows:

1. Number of Requests for Information between JAFIC and Foreign FIUs

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

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

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

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

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