



Japan Securities Dealers Association

Annual Report 2022

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Focal Points of “JSDA’s Major Work Plans”

—Initiatives toward Addressing Social Issues—

July 1, 2022

Stronger Support for Asset Building —Contribution to the Doubling Asset-based Incomes Plan—

- Take initiatives for fundamental expansion of the NISA
- Take initiatives to improve the defined contribution (DC) pension system (Corporate DC, iDeCo)
- Take initiatives to improve financial literacy grouping by generation and occupation (Promote collaboration with the Japanese Bankers Association (JBA))

Achievement of the SDGs —Accelerate Green Transformation (GX)—

- Promote sustainable finance
- Enhance interactions and information exchange on transition finance among stakeholders in Asia
- Deliberate on contributing to the phased development of the GX League
- Further promote diversity, including women's active participation

Fostering Start-ups

- Work toward consolidating the primary and secondary markets for unlisted stocks
- Facilitate risk money supply to start-ups
- Bring measures into effect to improve the IPO price-setting process

**HR Development
to Carry Out the Actions**
×
**Enhancing Collaboration with
Stakeholders
inside/outside Japan**
×
**Proactive proposals and initiatives for
the realization of
a New Form
of Capitalism**

Provision of Financial Services Fit for an Aging Society

- Deliberate on more attentive financial services appropriate for elderly customers
- Conduct studies on the ways for asset management and utilization of agents' transactions in cases of cognitive decline or impaired judgment
- Smoothly inherit financial assets between generations

Accommodating Digital Transformation (DX)

- Further promote paperless and digitalized procedures in securities transactions
- Deliberate on promoting securities firms' smooth adaption to DX
- Properly respond to progress in financial innovation
- Provide support for cybersecurity measures at securities firms
- Deliberate on expanding the use of the Social Security and Tax Number System (“My Number” System)

**Toward Further Enhancement of Investor Trust and Functioning
of Securities Markets**

Message from the Chairman

Amid the COVID-19 pandemic, Japan has made steady progress toward the recovery of daily life, continuing its economic and social activities. On the other hand, we encountered another wave of global uncertainty in the midst of Russia's invasion of Ukraine, which resulted in the fragmentation of global logistics and turmoil in the commodity market.

Global uncertainty is accelerating many emerging activities and trends. Particularly, technological innovations in fields such as digitalization, sustainability, AI and gene editing, which have the potential to change the world in the future significantly, seem to be moving swiftly and drastically. In this era of VUCA (Volatility, Uncertainty, Complexity and Ambiguity), we must further refine our industry because direct finance can play a pivotal role in accelerating these technological innovations.

With these backgrounds, the Japan Securities Dealers Association will work on the following major initiatives.

Supporting Asset Building

We will work to support individuals in building their financial assets through conducting PR & educational activities and making tax systems more attractive, which includes financial education support for schools, collaboration with the Japanese Bankers Association (JBA) under the MOU, lobbying activities on

NISA system and the defined contribution pension system.

Fostering Start-ups

Fostering start-ups is a key driver to giving momentum for growth to the sluggish Japanese economy and solving social problems. For this reason, the JSDA will review and develop the primary and secondary markets for unlisted stocks, request tax reform to promote the supply of funds for their growth, and implement improvement measures for setting public offering prices.

Accelerating the Green Transformation (GX)

The process of formulating international standards for sustainability reporting is currently in full swing, which will move on to discussions on domestic standards in Japan as well. The JSDA will compile the views of the Japanese securities industry on these standards both in Japan and overseas. On another front, we will exchange information on transition finance and cooperate with the securities industries in the Asia-Pacific region through the Asia Securities Forum (ASF).

Accelerating Digital Transformation (DX)

We will take necessary measures for tokenized securities from the viewpoint of investor

protection and the sound development of the market. Also, it is pivotal to deliberate countermeasures against cyberattacks to maintain customers' confidence in their online asset management while further promoting paperless and digitalization.

Providing Financial Services in Response to an Aging Society

The JSDA will implement necessary measures to provide financial services more suitable to elderly customers depending on their status and attributes. Also, our initiatives will include figuring out best practices on how to treat elderly customers and how to support their transactions through agents and smooth asset inheritance between generations.

Above are the major initiatives we are working on with a sense of speed in the year ahead. To effectively implement these initiatives, it is essential to promote capacity building programs for all the personnel in the securities industry and cooperate with domestic and overseas stakeholders.

Notably, a tailwind is blowing in our industry. The “Grand Design and Action Plan for New Capitalism” approved by the Kishida administration in June 2022 incorporates the “Doubling Asset-based Incomes Plan,” which fully mobilizes policies, including the fundamental expansion of NISA and the creation

of a new mechanism to guide people's deposits into investment. The securities industry, as the leader of the capital markets, will actively propose to the government how to realize doubling asset income and the new capitalism.

With this momentum, the JSDA, cooperating with relevant organizations in Japan and overseas, is willing to contribute to solving social problems by realizing vibrant financial and capital markets that support the Japanese economy and developing an investment environment that is even more reliable for investors.

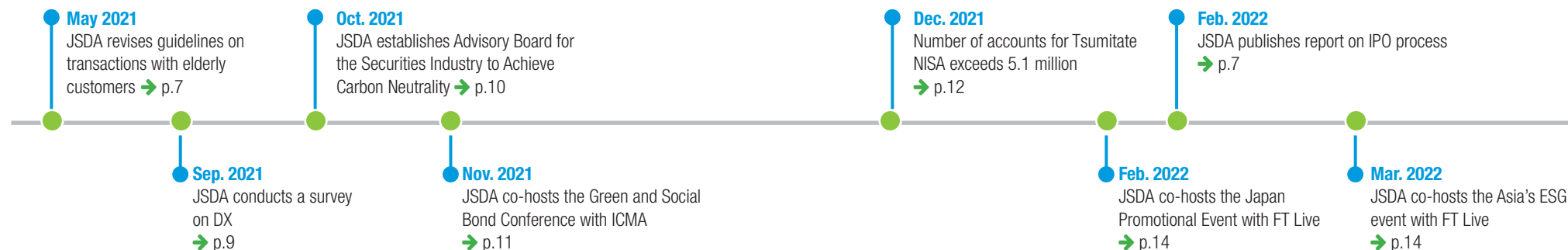
Last but not least, I would like to express my deepest sympathy to those suffering from COVID-19 and the Russian invasion of Ukraine.



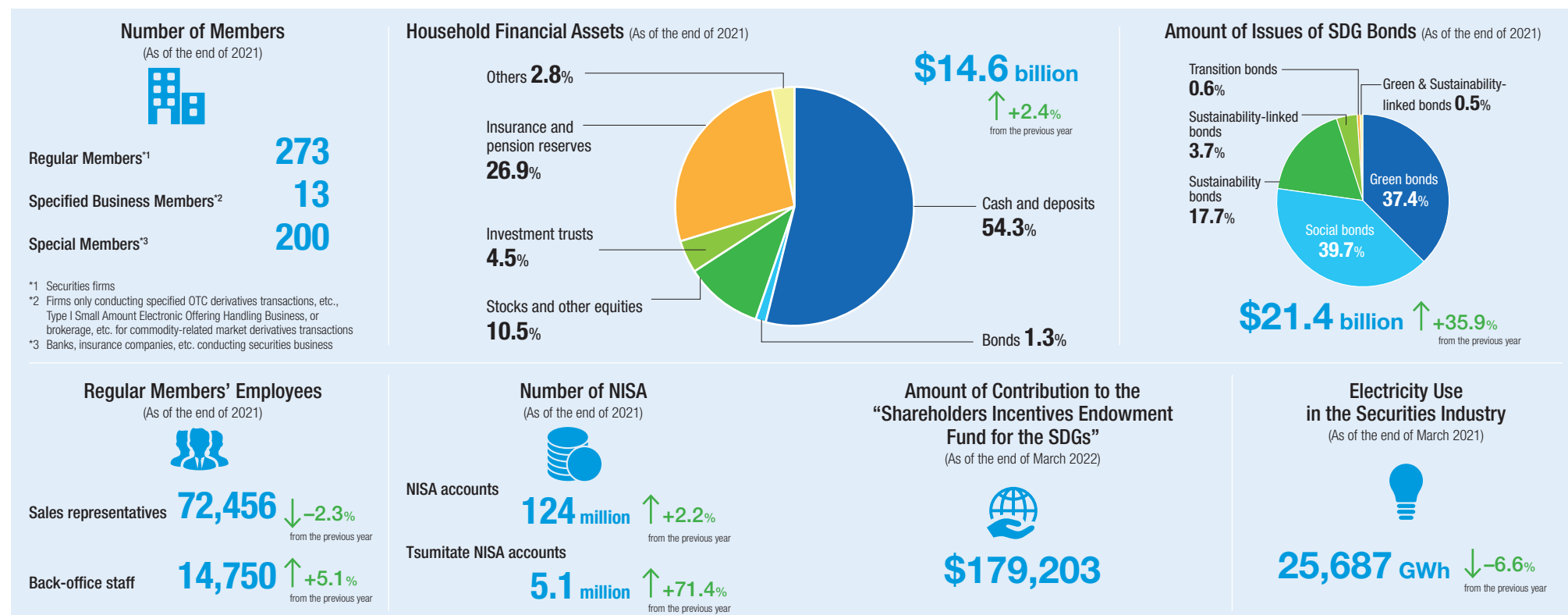
MORITA Toshio
Chairman and CEO

Toshio Morita

Current Activities



Snapshot of the Market and Industry



Note: 1. Rate of US\$1=¥136.68 used for conversion.
 2. For more details and other data, see JSDA's [statistics webpage](#) and [Factbook](#).



Self-regulatory Activities



As a fully empowered SRO, the JSDA extensively regulates market intermediaries, aiming to protect investors by ensuring fair securities transactions. Its self-regulatory functions encompass rulemaking, enforcement, inspection, disciplinary action, registration of sales representatives, and dispute mediation. Matters related to self-regulation are discussed and decided at the Self-regulation Board, which consists of representatives of Regular Member and Special Member firms as well as those representing public interest.

The number and scale of startups in Japan are relatively small compared to those in major developed countries, which is often pointed out as a leading cause of fewer innovations.

With this background, the government's Growth Strategy in 2021 emphasized the necessity to improve the financing environment for startups, including the IPO system's reform. All IPOs in Japan go through the book-building process to determine their initial offering price. However, one challenge for the startups was that the funds raised through the IPOs turned out unexpectedly small, often with initial offering prices lower than prices first traded on the markets.

In September 2021, in response to this situation, we initiated our efforts to grasp the



current business practices of the IPO process and figure out the necessity to reform the system. Then, in February 2022, we compiled the outcomes into a report and published it with recommendations to review the system. Examples of the proposals are as follows, among which we plan to incorporate (2) and (3) into our self-regulatory rules.

- (1) Encouraging lead underwriters to set provisional terms more flexibly,
- (2) Allowing IPO prices to be set higher than those set in provisional terms when investor demand is strong, and
- (3) Shortening the IPO process from one month to 21 days to reduce the risk of price volatility.

On another front, Japan's super-aging society requires securities firms to offer financial services more tailored to elderly customers, including supporting them in passing on

their financial assets to the next generation, managing their financial assets, and conducting proxy transactions in preparation for the impairment in cognitive and decision-making abilities.

In May 2021, in light of the settings, we revised the guidelines, which stipulate obligations for the JSDA member firms to set internal rules about how to treat elderly customers. The revisions include allowing more flexible definitions of customers, products and transaction procedures that the guidelines should be applied to, considering that the relevant status and cognitive ability of customers are diverse in reality. Also, the revision clarified the necessity to follow up with the customers to assess their change in status and cognitive ability. We also interviewed several JSDA member firms on the status of their relevant efforts and shared the results with all the member firms for their future reference.



Activities as a Trade Association

As a trade association serving as an interlocutor to enhance dialogue, the JSDA relays the industry's opinions to the government and other related parties, promotes investor education to expand the base of knowledgeable investors, produces policy recommendations for further activating the market and upgrades the attractiveness and potential of the Japanese market to global and domestic investors. Representatives of Regular Members exchange their views and make decisions on JSDA's activities as a trade association at the Securities Strategy Board.

Japan has become the world's leading society in terms of longevity, and its citizens will need to secure sufficient assets for their retirement. Under these circumstances, the role of the securities industry in matching investors' needs for asset building with companies' needs for financing has become increasingly important.

To fulfill this role, we have been conducting activities to raise the public awareness of "NISA" and "Tsumitate (Dollar-Cost Averaging) NISA," preferential taxation systems that effectively promote long-term asset building for households. In September 2021, we produced a series of videos featuring popular YouTubers who are well known among the youth, explaining not only the attractiveness



of investment and the preferential taxation systems, but also what investors will experience if they open accounts with the securities firms. In March 2022, we produced web content featuring Olympic medalists, on which the chairman of the JSDA conversed with them over second careers and asset building. NISA and Tsumitate NISA are time-limited programs that will eventually end. We will continue requesting the government authorities to make these systems permanent in order to contribute to the stable asset building of the Japanese citizens.

In addition, due to the impact of COVID-19, online communication has become more common, and digitalization has been progressing in various fields. In the securities industry, there is a need to digitalize procedures related to securities transactions to enhance the convenience for customers and

operational efficiency for securities firms.

However, such digitalization requires figuring out areas suitable for digitalization considering legal requirements and operations. To support this understanding, in September 2021, we conducted a survey on the status of digitalization at our regular member firms and shared the results among them so that they could grasp the image of how to promote digitalization within their companies.

In addition, while there remained documents legally required to submit in a paper format, we kept lobbying activities and successfully gained permission to submit some of them digitally. We will continue to lobby the government authorities so that, in principle, communication documents delivered to clients, which currently must be delivered on paper, can be delivered in an electronic format.

Table: Comparison of NISA and Tsumitate NISA

	NISA	Tsumitate NISA
Terms of investments	5 years	20 years
Maximum annual investment	¥1,200,000 (≈\$9,000)	¥400,000 (≈\$3,000)
Investment options	Listed stocks, funds, ETFs, REITs	Mutual funds

Note: It is not possible to contribute to both a NISA and a Tsumitate NISA during the same calendar year.



Contributing to Sustainable Growth

The JSDA contributes to achieving the Sustainable Development Goals (SDGs), a set of international development goals adopted by the United Nations, under the JSDA's Declaration in Support of the SDGs. To navigate this journey, the JSDA has one council and three sub-committees in which experts in this field deliberate and suggest sustainability-related initiatives.

Some of the initiatives are for the JSDA to implement on a daily and annual basis. For example, the JSDA defined and uses the term "SDG bonds," bonds which contribute to the SDGs, to raise public awareness of such bonds. Also, after establishing the "Shareholders Incentives Endowment Fund for the SDGs" to support organizations working to tackle social problems in 2019, we offer donations to such organizations annually, making use of shareholder incentives (gifts granted to shareholders).

The following website describes all of the various efforts of the JSDA and the Japanese securities industry as a whole in relation to the SDGs.

The JSDA has endeavored to practically further its contributions to the SDGs by taking various measures in cooperation with all related parties.

In October 2021, the JSDA established the "Advisory Board for the Securities Industry to Achieve Carbon Neutrality" to discuss the role the securities industry should play in the future to achieve carbon neutrality. In response to the Paris Agreement adopted in 2015, in October 2020, the Japanese government declared its intent to reduce greenhouse gas emissions to net-zero by 2050. To this end, we believe that the securities industry has an extremely important role as the intermediary for the markets where Japanese companies raise funds to achieve net-zero emissions.

Also, the JSDA has strived to assist market professionals in getting more familiar with and practically knowledgeable about how to achieve carbon neutrality. When it comes to transition to a net-zero business, necessary efforts vary depending on the sectors. For this reason, the Japanese ministries have developed roadmaps that carbon-intensive industries can refer to when making transition



→ <https://www.jsda.or.jp/sdgs/index.html>
(available only in Japanese)

strategies. Against this backdrop, the JSDA held a “Roadmap Study Session for Promoting Transition Finance” supported by the Ministry of Economy, Trade and Industry (METI) and the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) to help a wide range of market participants involved in such finance enhance their understanding of the significance of such finance and the contents of the roadmap.

Furthermore, the JSDA has co-hosted the Green and Social Bond Conference, which is an annual conference on sustainable finance, with the International Capital Market Association (ICMA) to offer market participants opportunities to deepen their understanding of sustainability-related topics and business practices. In November 2021, we organized it in a virtual format for the fifth time with a focus on achieving a decarbonized society and solving social challenges. The 2021 conference attracted about 600 participants and shared the understanding of the latest topics, such as updates of relevant guidelines from METI and ICMA and case studies of issuing SDG bonds in Japan and other countries.





Investor Education

Investor education remains vitally important, especially for novice investors and those interested in investments. As is often the case in other countries, many people opened investment accounts during the pandemic. In fact, the latest data reveals that the number of “Tsumitate NISA” exceeded 5.1 million accounts as of the end of December 2021, which was over double compared to the number as of March 2020, the time that the WHO declared COVID-19 to be a pandemic.

This fact indicates that many people have realized the importance of asset formulation, facing unprecedented uncertainty and anxiety, not only due to COVID-19 but also the life longevity, pension payment, rising consumer prices, wage decrease and so on.

Under these circumstances, it is our mission to foster knowledge and understanding of the financial markets and products for individuals with all backgrounds in Japan.

The JSDA supports junior and senior high school teachers in offering financial and economic classes to their students. For example, we have provided a sample financial and economic education curriculum and supplementary teaching materials and held relevant seminars for the teachers. We also have offered game-based learning programs, such as “Financial Quest” and “Stock Learning Game,” by which the students can enjoy the contents and naturally acquire financial

literacy. In May 2021, “Financial Quest” was awarded by the National Institute on Consumer Education, a public interest incorporated foundation established by the government. Also, we developed “Financial and Economic Navi,” the portal site where the teachers can obtain supplementary materials, videos, manga, and so on for free that they can utilize for their classes.

At the same time, we promote raising public awareness of knowledge about securities investment. To this end, “Toushi-kun,” the mascot character of the Securities Knowledge Dissemination Project (see p.17 for more on him), appeared in many places and guided individuals to the long-term diversified investment world. For example, the JSDA developed an online teaching material, “Toushi-kun and Time Travel! - Let’s Experience Asset Building” (launched in February 2022), that allows them to simulate investment with the past price movements in the markets. In addition to Toushi-kun, the JSDA’s young staff and lecturers from securities firms also visit companies and universities to provide financial educational opportunities.



Capacity Building

In the rapidly changing and diversified world, it is pivotal for employees and managers in securities firms to acquire a broader knowledge base than before. For example, whereas they need to be familiar with financial products and compliance, their knowledge should also cover sustainability-related topics so that each person can play a significant role as an intermediary between investors and the ESG markets, thereby contributing to addressing environmental and social problems.

Keeping these points in mind, the JSDA draws up and updates a capacity-building plan annually.

Our training seminars traditionally cover the topics of compliance and ethics, as we believe that such knowledge should be the foundation for the employees and managers from a self-regulatory point of view. Also, we are developing seminars on how to offer financial services in an aging society so that securities firms can appropriately respond to elderly customers.

Moreover, our scope is not limited to those regulatory topics. In fact, we have offered our program to meet the various needs of securities firms. For example, our program covers cyber security, sustainable finance, the Whistleblower Protection Act, women's active participation in the workplace, and the future business model of securities firms. Also, the JSDA launched the JSDA Training Hub, on

which securities firms can access on-demand videos so that their employees and managers can meet their needs to gain the necessary knowledge in a timely manner.

Furthermore, we have created communities for the employees and managers in the Japanese securities industry to meet each other, share a mutual understanding and enhance their motivation for work.

For instance, we held networking events for HR managers with the aim of supporting them to enhance diversity and transform working practices at their companies. Another example is the Network of the Next Generation in the Securities Industry, which is for managers and to-be managers to share knowledge on how to work and manage in the Japanese securities industry.



International Activities

The JSDA actively participates in international conferences and exchanges information to deepen relationships with overseas organizations related to the securities industry.

The JSDA is now involved in a number of international forums including the International Organization of Securities Commissions (IOSCO) and International Council of Securities Associations (ICSA).

Information on the ICSA's activities can be found at the following website.

<https://icsa.global/>

In addition, the JSDA serves as the secretariat of the Asia Securities Forum (ASF), which functions as a forum for the exchange of views and information among the securities industry in the Asia Pacific region, and leads activities that contribute to the development of securities markets and economic growth in the region. More information on the ASF's activities can be found at the following website.

<https://www.asiasecuritiesforum.org/>

The continuing uncertainty caused by COVID-19 forced us to conduct many of our international activities virtually.

Until 2019, we had held the “Japan Securities Summit” every year in global financial centers such as London and New York to promote Japan's attractiveness as an investment destination and business location to foreign investors and market players. In recent years under the pandemic, we have alternatively co-hosted webinars with the Financial Times Live. In February 2022, the webinar attracted an audience of more than 450 people. Topics include corporate governance codes, measures to promote disclosure in English, positive changes in ESG-based dialogue, initiatives, and disclosure of Japanese companies, and expectations for further development of the Japanese market. [A summary of the webinar](#) was published as a promotional article in the Financial Times and the full video can be viewed on [YouTube](#).

We also collaborated with the Financial Times Live and held a webinar in March 2022 on “What Asia should do to achieve a Net Zero Society.”



→ <https://www.asiasecuritiesforum.org/>



→ https://www.jsda.or.jp/about/international/files/20220322_JPSummary.pdf

Through discussions with prominent ESG and Asian market experts, the webinar provided an opportunity for over 350 participants to recognize that sustainable practices including transition finance in securities markets are an important common theme in Asia to move toward a decarbonized society. The full version of this webinar can also be viewed on [YouTube](#).

Aside from the events, we have long been involved in activities to enhance the global presence of Japan's securities markets. In recent years, the Japanese government authorities have accelerated efforts to strengthen Japan's function as a global financial center by creating a more welcoming environment to foreign financial institutions and professionals, such as through the Financial Market Entry Office and legal reforms allowing business registration application in English. In light of this trend, we are working on expanding our English-language business support services by making the documents required for membership in the JSDA available in English and establishing a dedicated contact point in January 2022 to enable

foreign companies seeking to provide English-language customer service in Japan to enter the Japanese market more easily.

Furthermore, the JSDA submits opinions on a wide range of international topics that could influence the Japanese securities industry. For example, our internal discussion is going on regarding "General Requirements for Disclosure of Sustainability-related Financial Information" and "Climate-related Disclosures" proposed by the IFRS Foundation. Also, we submitted comments on the Financial Stability Board (FSB)'s "Policy Proposals for Enhancing Resilience of Money Market Funds (MMFs)," IOSCO's "Recommendations on Sustainability-Related Practices, Policies, Procedures, and Disclosures in Asset Management" and "Distribution and Digitalisation to Retail Investors," and OECD's "Crypto-Asset Reporting Framework and amendments to the Common Reporting Standard."

Detailed information can be found at the following website.
<https://www.jsda.or.jp/en/activities/comments/index.html>



→ <https://www.youtube.com/watch?v=0le7KdUkd7Q>

▶ VIDEO

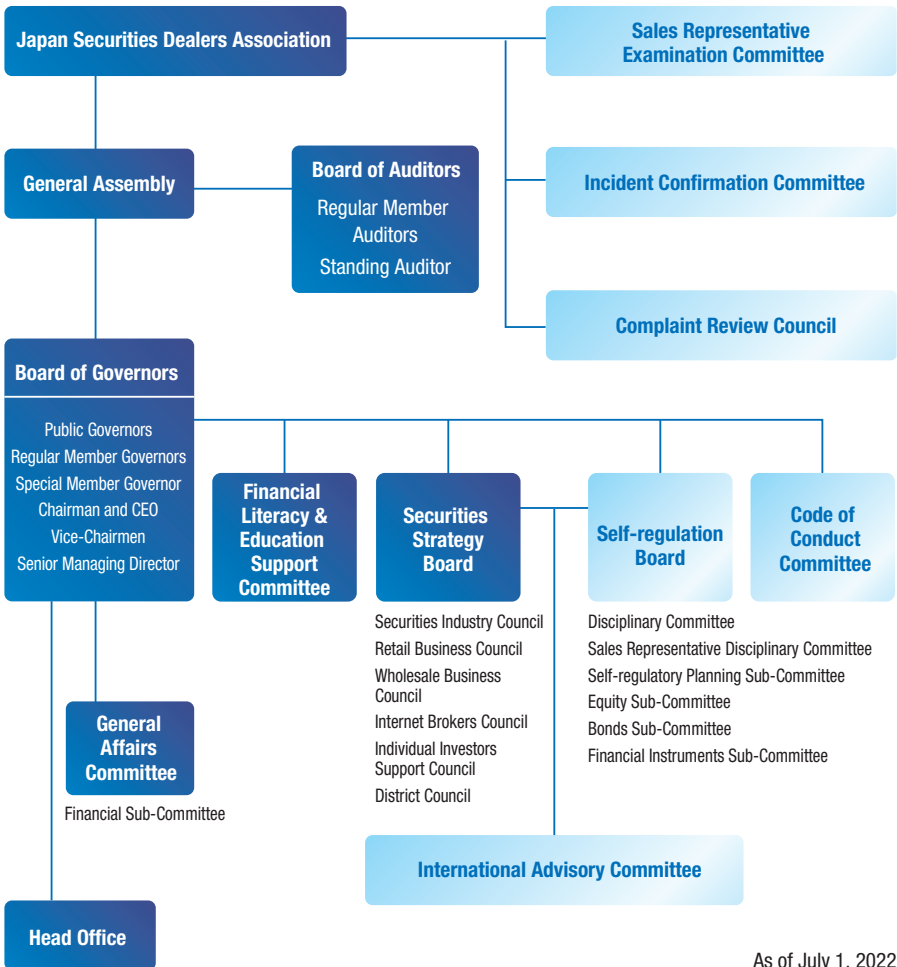


→ <https://www.youtube.com/watch?v=P3p67TRfZqg>

▶ VIDEO

Organization Chart

The JSDA functions as a self-regulatory organization (SRO) and as an interlocutor for the securities industry. Its legal status is as a Financial Instruments Firms Association authorized by the Prime Minister, pursuant to Article 67-2, Paragraph 2, of the Financial Instruments and Exchange Act. The members of the JSDA consist of securities firms, banks, and other financial institutions operating securities businesses in Japan.



As of July 1, 2022

JSDA Websites

▶ **JSDA**

<https://www.jsda.or.jp/>

▶ **JSDA (English website)**

<https://www.jsda.or.jp/en/index.html>

▶ **JSDA (Twitter)**

<https://twitter.com/JSDAofficial>

▶ **JSDA (Facebook)**

<https://www.facebook.com/JSDA.PR>

▶ **JSDA (YouTube)**

<https://www.youtube.com/user/JSDAmovie>

▶ **Back numbers of JSDA Annual Report (PDF Files) are available at**

<https://www.jsda.or.jp/en/about/annual-report/index.html>

▶ **Procedures concerning requests to disclosure of qualification of sales representatives**

<https://www.jsda.or.jp/en/personal-information/html/procedures.html>

▶ **Support Desk for Joining JSDA**

<https://www.jsda.or.jp/en/about/how-to-join/index.html>

Email: jsdaentry@wan.jsda.or.jp



Toushi-kun

He was created as the mascot character for “Securities Investment Day” to make securities investments as accessible as possible for the public regardless of their investment experience or financial knowledge. Coincidentally, “toushi” means investment and “ushi” means cow, ox, or bull in Japanese. With the hope for bull markets in Japan, the adorable bull appears as a flag bearer for the shift from saving to investment in various events.



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