

The Financial Action Task Force's Fourth Mutual Evaluation Report of Japan: A Review and Way Forward

Author:

[E-mail✉ Chika Igarashi](mailto:chika.igarashi@nishimura-asahi.com)

1. Overview of Action Plan as a Country Subject to an “Enhanced Follow-Up”

The Financial Action Task Force (“**FATF**”) is an intergovernmental organization that develops standards for anti-money laundering (“**AML**”) and combating the financing of terrorism and weapons proliferation (“**CFT**”) (collectively, the “**Recommendations**”¹) upon which participating countries are to base consistent measures (“**Measures**”). Periodically, FATF evaluates such countries to ascertain their Measures’ compliance with the Recommendations and effectiveness. On 30 August 2021, amid its fourth mutual evaluation of participating countries and for the first time in nearly a decade, FATF announced the publication of evaluation outcomes for Japan, based on (*inter alia*) on-site interviews conducted in 2019 (the “[Report](#)”). In the Report, FATF concludes that Japan shall be subject to an Enhanced Follow-Up and must submit roughly three reports prior to the regular follow-up evaluation, which is scheduled to take place in five years.

Although some media sources indicated that Japan substantially “failed” the evaluation, in reality, only a handful of countries have been subject to a “Regular Follow-Up,”² a designation many regard as the “satisfactory” outcome. In no small part, this is due to a majority of target countries improving their efforts in the lead-up to a follow-up evaluation. This reality highlights the ever-increasing severity of the Recommendations and participating countries’ attempts to keep pace within their own Measures, given that the outcome of a FATF mutual evaluation has the potential to significantly impact such countries’ creditworthiness and reputation. Some countries’ governments even may request that their financial institutions, etc., conduct heightened evaluations of transactions with business operators in countries that received a low evaluation. Such measures could disrupt funds settlement processes, which in turn, would hinder and delay the smooth settlement of international transactions, for example. Therefore, not only financial institutions, but also a wide range of business entities and organizations, can never ignore the potential adverse consequences of a low evaluation.

The full text of the [Report](#), which is approximately 300 pages long, is available in English on the FATF’s website. On the day of publication, the Ministry of Finance released a Japanese version (provisional translation) of the [Executive Summary of the Evaluation Report of Japan \(PDF:33\)2KB](#), as well as a Japanese version (provisional translation) of the relevant descriptions related to Chapter 5 ([IO.34](#) Preventive

¹ The Recommendations consist of 40 standards that were last updated in 2012.

² Countries subject to a Regular Follow-Up are required to submit a report only once prior to the follow-up evaluation which generally takes place five years from the publication of the Mutual Evaluation Report.

³ Abbreviation of Immediate Outcome. A total of 11 items from IO.1 through IO.11 are listed as evaluation items in the effectiveness evaluation (see Table 2).

Measures at Financial Institutions, etc.) and Chapter 6 (IO.3 Supervision of Financial Institutions, etc.) of the Report. In addition, the Ministry of Finance has published [“Action Plan Concerning Anti-Money Laundering, Combating the Financing of Terrorism, and Countering the Financing of Proliferation”](#) and [“Establishment of a Conference on Anti-Money Laundering, Combating the Financing of Terrorism, and Countering the Financing of Proliferation”](#) with respect to the next three years, and the [Financial Services Agency](#) has stated that it will continue to work on Measures based on such action plans.

In this newsletter, we explain the main points of the Evaluation Report of Japan and the future outlook of Japan’s Measures.

2. Framework of FATF Mutual Evaluation

1. FATF

The FATF was established in 1989 in response to the Economic Declaration of the Arch Summit to improve measures to tackle money laundering, with combating the financing of terrorism and countering the financing of proliferation later being added to its purpose. The main functions of the FATF are, first, to formulate and revise from time to time the FATF Recommendations as international standards for Measures, and second, to provide a framework for participating countries to mutually evaluate the other countries’ compliance with the FATF Recommendations. This second function also serves to encourage participating countries to improve their Measures through follow-ups based on evaluation outcomes, with a focus on the “issues to be prioritized” (Priority Actions) indicated in the mutual evaluation reports. The FATF currently includes 37 member jurisdictions, including the G7, the European Commission (EC) and the Gulf Cooperation Council (GCC). With the addition of nine other FATF-style regional bodies, the FATF Recommendations apply to 205 countries/regions worldwide.

2. Matters Subject to Mutual Evaluations

FATF evaluates from two perspectives: (i) to what extent the FATF Recommendations have been institutionalized by the laws and regulations of the country concerned or by **“Other Enforceable Means”** (meaning the relevant authorities’ guidelines or the like that involve sanctions when financial institutions or the like fail to comply with them) (Technical Compliance), and (ii) to what extent the measures relating to the Measures taken by the authorities of the country concerned and relevant types of business have achieved results (Effectiveness). Hereinafter, (i) mentioned above is referred to as the evaluation of **“Technical Compliance,”** and (ii) mentioned above is referred to as the evaluation of **“Effectiveness.”**⁴

(1) Technical Compliance Ratings

Under the Technical Compliance ratings, in accordance with the FATF Recommendations, the status of laws, regulations, guidelines, and the like are evaluated. In the case of Japan, for example, among the FATF Recommendations, most of the rules concerning risk based approach (Recommendation 1) and customer due diligence, record keeping, reporting of suspicious transactions, and other similar items (Recommendations 10 to 20) are provided in the Act on Prevention of Transfer of Criminal Proceeds (the **“Criminal Proceeds Act”**). On the other hand, rules concerning money laundering offenses and terrorist financing offenses (Recommendations 3 and 5) are provided in acts such as the Act on Punishment of Organized Crimes, the Anti-Drug Special Provisions Act, the Foreign Exchange and Foreign Trade Act, the

⁴ In the Third Mutual Evaluation (2008), only Technical Compliance was evaluated, but from the Fourth Mutual Evaluation onwards, Effectiveness has been additionally evaluated

Act on Punishment of Terrorist Financing, and the Act on International Terrorist Assets Freezing, and the rules concerning the transparency and beneficial ownership of legal persons (Recommendation 24) and transparency and beneficial ownership of legal arrangements (Recommendation 25) are provided in acts such as the Criminal Proceeds Act, the Commercial Registration Act, and the Notary Act.

Further, with respect to business operators under the jurisdiction of the Financial Services Agency, in February 2018, the Financial Services Agency formulated the “Guidelines for Anti-Money Laundering and Counter-Terrorist Financing Measures,” which were amended in April 2019 and February 2021 (after the FATF’s Fourth Mutual Evaluation of Japan was implemented) (the “**Guidelines**”). The Guidelines introduce “matters that are required to be addressed,” “matters that are expected to be addressed,” and “examples of advanced efforts.” Among them, the AML Guidelines explicitly provide that, in cases where it is deemed that there are problems with the anti-money laundering and counter-terrorist financing management system, such as the case where the measures concerning “matters that are required to be addressed” are inadequate, administrative measures, such as requests for reports or business improvement orders, must be taken pursuant to laws and regulations, as necessary, while also complying with the supervisory guidelines established for each type of business (I-4 of the AML Guidelines). For this reason, the AML Guidelines are regarded as falling under the category of “Other Enforceable Means” in the Technical Compliance ratings.

(2) Evaluation of Effectiveness

With regard to the evaluation of effectiveness, as shown in Table 2 below, 11 types of immediate outcomes (“**IO**”) have been established as evaluation items (see Table 2).

3. Assessment on a Four-point Scale

Both the evaluation of technical compliance ratings and the evaluation of effectiveness are conducted on a four-point scale, and rating at or below two points is regarded as insufficient (i.e., having failed to achieve the sufficient level; see the remarks preceded by asterisks at the end of Table 1 and Table 2). In accordance with the evaluation criteria based on the number of items deemed insufficient, the target countries are allocated to “Regular Follow-Up,” “Enhanced Follow-Up,” or “Monitoring” (see Table 3).

3. Results of the Fourth Mutual Evaluation of Japan

In the Evaluation Report of Japan, it was deemed that with regard to technical compliance ratings, 11 out of 40 items failed to achieve the sufficient level (see Table 1), and with regard to effectiveness, 8 out of 11 items failed to achieve the sufficient level (see Table 2). Accordingly, Japan was subject to “Enhanced Follow-up” and was required to submit approximately three reports before the 5th year Follow-Up Evaluation (see Table 3). Table 3 shows the positioning of the results of the evaluation of Japan along with the results of the evaluations of other countries.

■ **Table 1: Technical Compliance Ratings**
- 11 out of 40 items failed to achieve sufficient level

Evaluation of Technical Compliance - Level of Compliance with FATF's Recommendations (R.1-R.40)		Outcome (Japan)
AML/CFT Policies and Coordination		
R. 1	assessing risk & applying risk based approach	LC
R. 2	national co-operation and co-ordination	PC
Money Laundering and Confiscation		
R. 3	money laundering offence	LC
R. 4	confiscation & provisional measures	LC
Terrorist Financing and Financing of Proliferation		
R. 5	terrorist financing offence	PC
R. 6	targeted financial sanctions – terrorism & terrorist financing	PC
R. 7	targeted financial sanctions - proliferation	PC
R. 8	non-profit organisations	NC
Preventive Measures		
R. 9	financial institution secrecy laws	C
R. 10	Customer due diligence	LC
R. 11	Record keeping	LC
R. 12	Politically exposed persons	PC
R. 13	Correspondent banking	LC
R. 14	Money or value transfer services	LC
R. 15	New technologies	LC
R. 16	Wire transfers	LC
R. 17	Reliance on third parties	N/A
R. 18	Internal controls and foreign branches and subsidiaries	LC
R. 19	Higher-risk countries	LC
R. 20	Reporting of suspicious transactions	LC
R. 21	Tipping-off and confidentiality	C
R. 22	DNFBPs: Customer due diligence	PC
R. 23	DNFBPs: Other measures	PC
Transparency and Beneficial Ownership of Legal Persons and Arrangements		
24	Transparency & BO of legal persons	PC
25	Transparency & BO of legal arrangements	PC
Powers and Responsibilities of Competent Authorities and Other Institutional Measures		
26	Regulation and supervision of financial institutions	LC
27	Powers of supervision	LC
28	Regulation and supervision of DNFBPs	PC
29	Financial intelligence units	C
30	Responsibilities of law enforcement and investigative authorities	C
31	Powers of law enforcement and investigative authorities	LC
32	Cash couriers	LC
33	Statistics	LC
34	Guidance and feedback	LC
35	Sanctions	LC
International Cooperation		
36	International instruments	LC
37	Mutual legal assistance	LC
38	Mutual legal assistance: freezing and confiscation	LC
39	Extradition	LC
40	Other forms of international co-operation	LC

* Gray-highlighted parts indicate those items evaluated as PC or NC, which are deemed to have failed to achieve sufficient level of Technical Compliance.

* C: Compliant, LC: Largely Compliant, PC: Partially Compliant, NC: Non Compliant

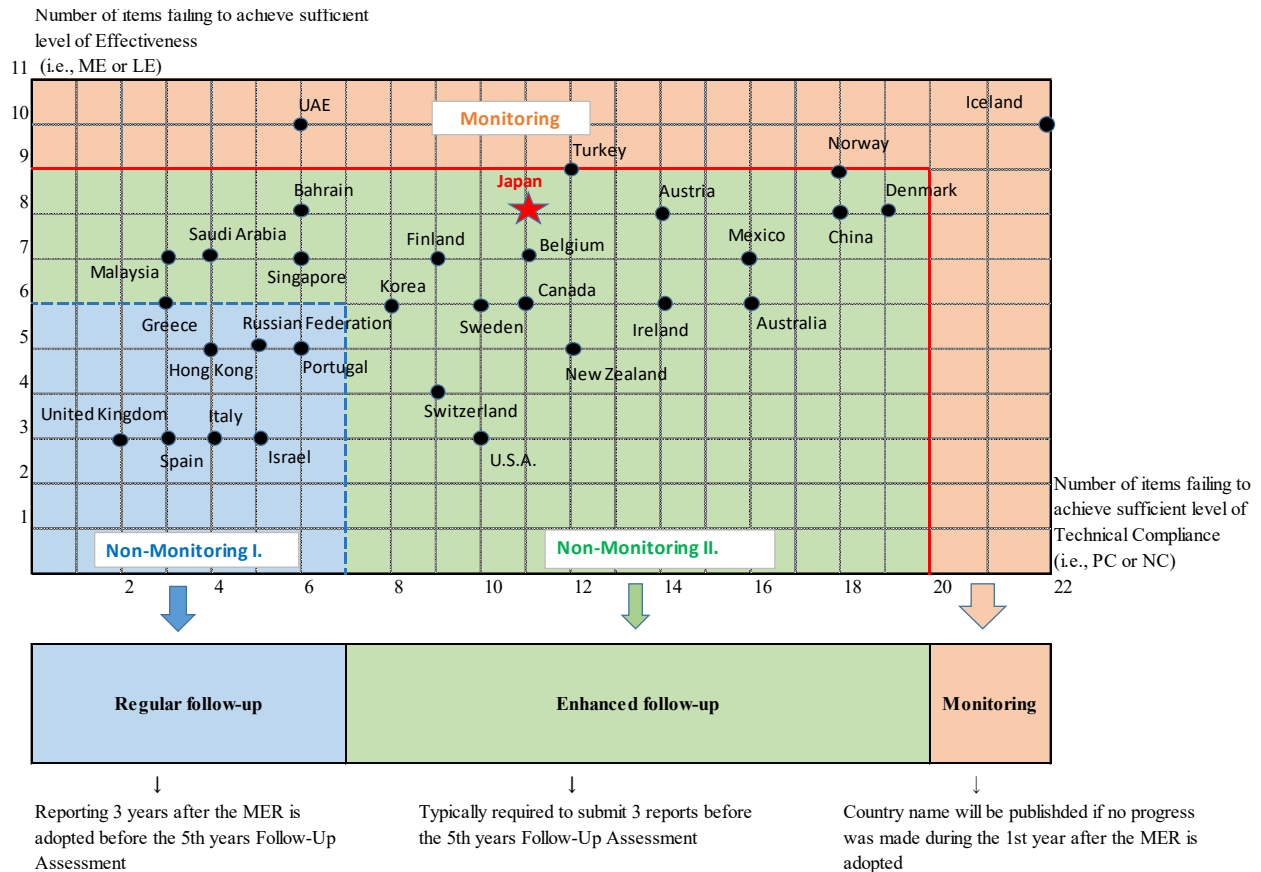
■ **Table 2: Effectiveness**

Evaluation of Effectiveness - Level of Achievement for IO.1-11		Outcome (Japan)
1	Risk, policy and co-ordination	SE
2	International co-operation	SE
3	Supervision	ME
4	Preventive measures	ME
5	Legal persons and arrangements	ME
6	Financial intelligence	SE
7	ML investigation & prosecution	ME
8	Confiscation	ME
9	TF investigation & prosecution	ME
10	TF preventive measures & financial sanctions	ME
11	PF financial sanctions	ME

* Gray-highlighted parts indicate those items evaluated as ME or LE, which are deemed to have failed to achieve sufficient level of Effectiveness.

* HE: High level of effectiveness, SE: Substantial, ME: Moderate, LE: Low

■ **Table 3: Outcome of the FATF 4th Round of Mutual Evaluation**



【Tables 1 to 3: Furnished by the author in reference to the FATF's official website among others】

4. “Priority Actions” for Japan

In the Evaluation Report, the following items are listed as “Priority Actions” for Japan.⁵

- a) Ensure that Financial Institutions (FIs), Virtual Asset Service Providers (VASP) and DNFBPs understand their AML/CFT obligations and implement them in timely and effective manner, with priority on conducting enterprise risk assessments and the application of ongoing risk-based Customer Due Diligence (CDD), transaction monitoring, implementation of asset freezing measures and collecting and maintaining BO information.⁶
- b) Increase the use of the Money Laundering (ML) offence to target more serious predicate offences, including through consideration of ML at an early stage of investigation and prioritization of third party ML across a wider range of offences, particularly the high risk crime types at the high-end profit taking levels.
- c) Explore and implement measures, between the National Police Agency (NPA), Ministry of Justice (MOJ) and Public Prosecution Office (PPO), to agree and enhance prioritization of prosecuting and investigating severe ML cases and improve prosecution rate of ML cases, including reconsidering PPO’s application of discretion to prosecute and implement a policy to prioritise the prosecution of ML cases.
- d) Increase the statutory maximum sentence for ML to at least the same level as the serious predicate offences most regularly generating criminal proceeds in Japan.
- e) Give greater priority to pursuing asset tracing investigations, provisional measures and confiscation for priority risk areas and more consistently confiscate instruments of crime smuggled cash / bearer negotiable instruments (BNI).
- f) Strengthen AML/CFT supervision on a risk-basis, including enhanced frequency and comprehensiveness of the combination of off-site monitoring and on-site inspections for assessing safeguards in place, ensuring that dissuasive penalties and remedial measures are applied to ensure a positive effect on compliance by FIs, DNFBP and VASPs.
- g) Adopt binding and enforceable means or amend the Terrorist Financing (TF) Act to ensure that the financing of an individual terrorist or terrorist organization in the absence of a link to a terrorist act is criminalized, and that the other technical deficiencies with Japan’s criminalisation of TF identified in the Recommendation 5 analysis are rectified.
- h) Ensure that the obligations on all natural and legal persons to implement targeted financial sanctions (TFS) are clear and in line with the FATF Recommendations, with further improvements made so that TFS can be implemented without delay.
- i) Ensure that there is a complete understanding of the NPOs at risk of abuse for TF, in particular those with operations in higher-risk regions, and undertake outreach, guidance and monitoring or supervision commensurate with the risks.
- j) Continue to improve the methodology of assessments of risk and promote a more comprehensive understanding of ML/TF risks, which should include a particular focus on cross-border risks and risks associated with legal persons and arrangements.
- k) Ensure that basic and beneficial ownership information on legal persons and arrangements becomes an established part of Japan’s regulatory, supervisory and investigatory framework.

5. “Action Plan Concerning Anti-Money Laundering and Combating the Financing of Terrorism and its Proliferation” in Japan for the Next Three Years

⁵ Cited from page 12 to 13 of the Evaluation Report of Japan with supplementary additions by the author with respect to abbreviations used therein.

⁶ Designated Non-Financial Businesses and Professions

Following the publication of the Report, the Ministry of Finance specified “deadlines” and presented concrete action plans with “government agencies in charge” for each of the following items. As for the “deadlines,” the timeline for approximately the next three years is indicated from already “ongoing” to the spring of 2024.

1. Risk Awareness and Coordination Related to Money Laundering, the Financing of Terrorism and Weapon Proliferation

(1) Renewal of National Risk Assessment Report

- In order to improve the understanding of money laundering and the financing of terrorism and proliferation, renew the National Risk Assessment of Money Laundering and Terrorism Financing, which is a national risk assessment report, by means such as the improvement of risk assessment methods.

<Deadline> End of 2021;

<Government agencies in charge> National Police Agency, Ministry of Finance, Financial Services Agency, Ministry of Justice, Ministry of Foreign Affairs, and other relevant ministries and agencies

(2) Establishment of the Conference on Anti-Money Laundering, Combating the Financing of Terrorism, and Countering the Financing of Proliferation

- Establish the [“Conference on Anti-Money Laundering, Combating the Financing of Terrorism, and Countering the Financing of Proliferation”](#) to formulate and promote national policies related to anti-money laundering, combating the financing of terrorism, and countering the financing of proliferation.

<Deadline> Ongoing;

<Government agencies in charge> National Police Agency, Ministry of Finance, Financial Services Agency, Ministry of Justice, Ministry of Foreign Affairs, Cabinet Secretariat, and other relevant ministries and agencies

(3) National Policy Formulation

- Formulate national policies related to anti-money laundering, combating the financing of terrorism, and countering the financing of proliferation based on the renewed National Risk Assessment of Money Laundering and Terrorism Financing.

<Deadline> Spring 2022;

<Government agencies in charge> National Police Agency, Ministry of Finance, Financial Services Agency, Ministry of Justice, Ministry of Foreign Affairs, Cabinet Secretariat, and other relevant ministries and agencies

2. Measures for and Supervision of Money Laundering, the Financing of Terrorism and Proliferation by Financial Institutions and VASPs

(1) Strengthening Supervision of Anti-Money Laundering, Combating the Financing of Terrorism, and Countering the Financing of Proliferation

- Strengthen coordination among supervisory authorities with regard to anti-money laundering, combating the financing of terrorism, and countering the financing of proliferation, establish appropriate supervisory systems, and strengthen risk-based inspection, supervision, and the like.

<Deadline> Fall 2022;

<Government agencies in charge> Financial Services Agency and other government agencies supervising financial institutions

(2) Improvement of Understanding of Risks and Implementation of Risk Assessment by Financial Institutions and the Like

- Update and establish supervisory guidelines on anti-money laundering and counter-terrorist financing measures and ensure a thorough understanding of the obligations related to anti-money laundering and combating the financing of terrorism and its proliferation, in order to improve the understanding of risks by financial institutions and the like and cause them to implement appropriate risk assessments.

<Deadline> Fall 2022;

<Government agencies in charge> Financial Services Agency and other government agencies supervising financial institutions

(3) Full Implementation of Continuous Customer Due Diligence by Financial Institutions and the Like

- Attempt to strengthen transaction monitoring as well as set deadlines, in order to attempt to strengthen measures for anti-money laundering, combating the financing of terrorism, and countering the financing of proliferation on a risk basis, such as through continuous customer due diligence.

<Deadline> Spring 2024;

<Government agencies in charge> Financial Services Agency and other government agencies supervising financial institutions

(4) Putting Joint System for Transaction Monitoring to Practical Use

- From the viewpoint of confirmation at the time of transaction and strengthening and leveling of customer due diligence, attempt to put the joint system for transaction screening and transaction monitoring to practical use, as well as promote the understanding of the general public by utilizing government publicity.

<Deadline> Spring 2024;

<Government agency in charge> Financial Services Agency

3. Measures for and Supervision of Money Laundering, the Financing of Terrorism and Proliferation by DNFBPs

(1) Establishment of Supervisory Guidelines and Strengthening Risk-based Supervision

- Update and establish supervisory guidelines on anti-money laundering and counter-terrorist financing measures, establish appropriate supervisory systems, and strengthen risk-based inspection and supervision.

<Deadline> Fall 2022;

<Government agencies in charge> National Police Agency and administrative authorities with jurisdiction over DNFBPs

(2) Strengthening Risk Assessments, Customer Due Diligence, etc. of DNFBPs

- Make universally known the obligation to take anti-money laundering and counter-terrorist financing measures, and improve understanding of risk. In addition, as part of the strengthening of anti-money laundering and counter-terrorist financing measures, work on improving the quality of continuous customer due diligence, rigorous customer due diligence measures, and notification of suspicious transactions.

<Deadline> Fall 2022;

<Government agencies in charge> National Police Agency and administrative authorities with jurisdiction over DNFBPs

4. Prevention of Misuse of Legal Persons and Trusts

(1) Prevention of Misuse of Legal Persons and Trusts

- In order to prevent legal persons and trusts from being misused for money laundering and terrorist financing, conduct appropriate risk assessments concerning corporations and trusts to improve understanding of risk.

<Deadline> Spring 2022;

<Government agencies in charge> Ministry of Justice and National Police Agency

(2) Improvement of Transparency of Substantial Controlling Persons' Information

- Strengthen information sources of substantial controlling persons such as by having all specified business operators, who are imposed a series of obligations for the Measures under the Criminal Proceeds Act ("**Specified Business Operators**") set deadlines to identify substantial controlling persons' information of existing customers.

<Deadline> Spring 2024;

<Government agencies in charge> Ministry of Justice, National Police Agency, and administrative authorities with jurisdiction over the respective Specified Business Operators

- Launch a system within this fiscal year for the Commercial Registry Office to store substantial controlling persons' information and to certify to that effect upon application by a stock company; at the same time, relevant ministries and agencies will collaborate to promote the use of this system in order to establish a mechanism for centralized management of substantial controlling persons' information.

<Deadline> Fall 2022;

<Government agencies in charge> Ministry of Justice, National Police Agency, and administrative authorities with jurisdiction over specific business operators

(3) Ensuring the Use and Accuracy of Substantial Beneficial Owners' Information Regarding Civil Trusts and Foreign Trusts

- Consider and conduct measures to make available beneficial owners' information regarding civil trusts and foreign trusts not created or managed by a trust company and to ensure its accuracy.
<Deadline> Fall 2022;
<Government agencies in charge> Ministry of Justice and other relevant ministries and agencies

(4) Drawing-up of Guidance on Corporations and Trusts

- Draw us guidance on timely access to substantial controlling persons' information of corporations and trusts for law enforcement agencies such as prefectural police and the National Tax Agency.
<Deadline> Fall 2022;
<Government agencies in charge> National Police Agency, Ministry of Finance, and other relevant ministries and agencies

(5) Implementation of Customer Due Diligence of

- Consider making all DNFBPs subject to customer due diligence obligations, including confirmation of substantial controlling persons' information, and take necessary measures.
<Deadline> Fall 2022;
<Government agencies in charge> National Police Agency and administrative authorities with jurisdiction over specific non-financial business operators and professional experts

5. Investigation, Prosecution, etc. of Money Laundering and Terrorist Funding

(1) Increasing the Statutory Penalty for Money Laundering Crimes

- Consider the Organized Crime Punishment Act and take necessary measures.
<Deadline> Summer 2022;
<Government agencies in charge> Ministry of Justice and Cabinet Secretariat

(2) Strengthening the Investigation and Prosecution of Money Laundering Crimes.

- In order to further investigate and prosecute serious and complex cases of money laundering and to improve the prosecution rate of cases of money laundering, establish a task force, issue various notices, etc., and conduct investigations and prosecutions based on these.
<Deadline> Fall 2022;
<Government agencies in charge> Ministry of Justice and National Police Agency

(3) Strengthening Investigations and Confiscation

- In order to properly conduct the seizure, confiscation, and collection of the equivalent value of criminal proceeds and objects used for crimes relating to money laundering, conduct tracking investigations, confiscation, and collection of the equivalent value of criminal proceeds relating to high-risk areas, and actively utilize criminal proceeds by preserving them, and strengthen the execution of confiscation.
<Deadline> Fall 2022;
<Government agencies in charge> Ministry of Justice and National Police Agency

(4) Strengthening Responses by Customs

- Strengthen the restraint of cash at the border and promote the sharing of information on declarations of cash imports and exports with the National Police Agency.
<Deadline> Ongoing;
<Government agency in charge> Ministry of Finance

(5) Strengthening measures against Terrorist Financing Crimes

- Consider the Terrorist Financing Punishment Act and take necessary measures.
<Deadline> Summer 2022;
<Government agencies in charge> Ministry of Justice and Cabinet Secretariat

(6) Strengthening Investigation, Prosecution, etc. of Terrorist Financing Crimes

- Establish a task force to strengthen coordination among relevant ministries and agencies regarding investigations and prosecutions of terrorist financing crimes, and engage in investigations and prosecutions of terrorist financing crimes.

- In addition, make terrorist financing crimes universally known to authorities and the Specified Business Operators to improve their understanding of the risk of terrorist financing.
<Deadline> Fall 2022;
<Government agencies in charge> Ministry of Justice, National Police Agency, and other relevant ministries and agencies

6. Asset Freezing and NPOs

(1) Expansion and Clarification of the Scope of Asset Freezing Measures

- Implement asset freezing of those who are controlled by those subject to sanctions, etc. and clarify the scope of asset freezing measures under the Foreign Exchange Act by publishing a public notice, etc. In addition, examine the Act on International Terrorist Assets Freezing, and take the necessary measures.
<Deadline> Summer 2022;
<Government agencies in charge> [Foreign Exchange Act] Ministry of Finance, Ministry of Economy, Trade and Industry, [Act on International Terrorist Assets Freezing] Cabinet Secretariat, National Police Agency, and other relevant ministries and agencies

(2) Asset Freezing Without Delay

- In order to implement asset freezing measures without delay after designation of individuals and organizations subject to asset freezing, etc. by the UN Security Council's Sanctions Committee, etc., accelerate the process of issuing a public notice.
<Deadline> Ongoing;
<Government agencies in charge> Ministry of Foreign Affairs, Ministry of Finance, and National Police Agency

(3) Strengthening the Execution of Asset Freezing Measures by Specified Business Operators

- Strengthen the execution of asset freezing measures, including the prevention of transactions with those subject to sanctions involving third parties, through the monitoring of the Specified Business Operators, etc.
<Deadline> Fall 2022;
<Government agencies in charge> Ministry of Finance and administrative authorities with jurisdiction over the Specified Business Operators

(4) Asset Freezing of Residents Involved in the Proliferation of Weapons of Mass Destruction

- Consider the establishment of a legal system for the purpose of implementing asset freezing with respect to residents involved in the proliferation of weapons of mass destruction, as specified by resolutions of the UN Security Council, etc., and take necessary measures.
<Deadline> Summer 2022;
<Government agencies in charge> Cabinet Secretariat, National Police Agency, Ministry of Foreign Affairs, Ministry of Finance, Ministry of Economy, Trade and Industry, and other relevant ministries and agencies

(5) Risk Assessment and Monitoring of NPOs

- Appropriately assess the risk of NPOs being misused to finance terrorism and implement monitoring on a risk basis.
<Deadline> Spring 2022;
<Government agencies in charge> Cabinet Office, Ministry of Education, Culture, Sports, Science and Technology, Ministry of Health, Labour and Welfare, Ministry of Foreign Affairs, National Police Agency, and Ministry of Finance

(6) Dissemination of Information to NPOs

- Disseminate good examples of TF risks and counter-terrorist financing measures to maintain the soundness of the activities of NPOs conducting business in high-risk areas.
<Deadline> Spring 2022;
<Government agencies in charge> Cabinet Office, Ministry of Education, Culture, Sports, Science and Technology, Ministry of Health, Labour and Welfare, Ministry of Foreign Affairs, National Police Agency, and Ministry of Finance

6. Future Outlook

The action plan published by the Ministry of Finance, which focuses on the areas highlighted in the Evaluation Report of Japan, presents a concrete action plan with a deadline for a significantly wide range of items, including strengthening supervision and preventive measures of financial institutions, etc., strengthening prevention of misuse of corporations and trusts, etc., strengthening investigations and prosecution of ML and TF, strengthening asset freezing, and preventing misuse of NPOs to finance terrorism. In the future, the various responses presented in the action plan are expected to proceed at a faster pace across ministries and agencies and across business types.

At least with respect to business operators under the jurisdiction of the Financial Services Agency, in May 2021, prior to the publication of the Report, the Financial Services Agency set the deadline for completing responses to “matters that are required to be addressed” in the AML Guidelines as “March 2024,” and requests were made through each business group for the purpose of establishing appropriate systems by that date.

However, not only businesses operators under the jurisdiction of the Financial Services Agency, but also recently, AML and other responses have been positioned as some of the most important management issues, and those in management positions are required to take the initiative to establish appropriate management systems and flexibly recruit, educate, and allocate resources, etc., in a cross-organizational and strategic manner. Furthermore, it is becoming increasingly important for management to increase awareness of anti-money laundering and combating the financing of terrorism based on a thorough understanding of ML/TF risks, and to promote the development of even more sophisticated responses across their organizations using a top-down approach.

In regard to FATF mutual evaluations, governments and business operators, etc., of participating countries bear the burden of proof with respect to Technical Compliance and the Effectiveness of Measures. Based on requests from regulatory authorities, etc., business operators, etc., must once again recognize that AML and other responses are management issues, and must vigorously work to further increase their speed and depth in order to provide even more sophisticated responses to AML and other related issues. In addition, from the perspective of accountability, it is essential for business operators to be ready at all times to provide persuasive external explanations of risk-based measures taken in relation to AML and other related issues.

End

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