

Keynote speech by Miyoshi Toshiyuki
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Symposium on Building the Financial System of the 21st Century:
An Agenda for Japan and the United States
Karuizawa, Japan, November 21, 2025

Introduction

Thank you, Ariyoshi (Akira) sensei (International University of Japan), for the kind introduction. Good evening, everyone. It is a pleasure to have the opportunity to deliver a keynote speech this evening in front of such distinguished participants. I am a little frightened now because those participants include alumni of Japan's Ministry of Finance, the institution I joined many years ago as a freshman.

As many of you probably know, fall is a high season for international meetings for financial regulators and supervisors, such as those of the Financial Stability Board (FSB), Basel Committee on Banking Supervision, International Organization of Securities Commissions, and International Association of Insurance Supervisors. In fact, I was out of the country four times in the past four weeks and five times in the past six, and came back from Riyadh, Saudi Arabia to Tokyo just last night.

With videoconferencing now widely available, regulators can hold a lot of meetings online these days. Nevertheless, we do meet in person sometimes and feel that such opportunities are precious. It is not only because we can hold intensive discussions on global issues, but also because they offer valuable opportunities for informal exchange of views with our counterparts across the world. This allows us to better understand what our common challenges are and learn from other jurisdictions' experiences.

Also, a lot of events and conferences are held in fall. My institution, the Financial Services Agency (FSA), organized "Japan Weeks" in late October, when global investors and asset managers participated in a cluster of events aimed at raising the profile of Japan's capital markets. The FSA has held this event three years in a row, and I hope that it will become well known internationally as a regular event to promote Japan as a financial hub and leading asset management center.

Among the international gatherings where macroeconomic and financial issues are discussed in fall, this Symposium is perhaps one of the most long-lasting ones held in Japan. I thank Harvard Law School Program on International Financial Systems (PIFS) and International House of Japan for continuing to organize this Symposium since 1998. The Symposium has provided a useful platform for candid discussions by leading figures from the public and private sectors as well as academia in Japan and the United States. I remember participating in this Symposium during the COVID-19 pandemic in 2020 and 2021, albeit virtually and as a mere listener. It is therefore a great honor to join this year's Symposium as a keynote speaker, and I am happy to speak in person in the town of Karuizawa in the most beautiful season in Japan.

In this speech, I would like to talk about an emerging international trend in the discourse of financial regulation and supervision, which is their “modernization” or “simplification.” I would argue that the FSA has held this perspective since its establishment. I will then discuss the progress on, and next steps for, the government’s initiative to promote Japan as a leading asset management center, which exemplifies Japan’s approach to leveraging the power of finance to support the real economy. Following that, I will explain the FSA’s strategic priorities for the year from last July to June next year and argue that it is also in line with the FSA’s “dual mandate” of safeguarding financial stability and facilitating financial intermediation.¹

Regulatory and Supervisory Modernization or Simplification

To understand why “modernization” or “simplification” can be seen as an emerging trend, I think it is useful to look back at the history of financial regulatory reforms since the Global Financial Crisis of 2007-09.

As most of you probably recall, financial regulation was substantially strengthened following the Global Financial Crisis (GFC), where turmoil in the financial sector precipitated a sharp deterioration in the global economy. Bank capital requirements were strengthened; a new liquidity risk regulation was introduced; and various measures were developed and implemented to address the so-called “too-big-to-fail” problem, such as the capital surcharge for G-SIBs (global systemically important banks) and measures to enhance the resolvability of financial firms. These reforms have undoubtedly contributed to strengthening the resilience of the banking sector as a whole—the banking sector did not experience instability during the market turmoil in March 2020, while the sector’s turmoil in 2023 was basically confined to a few idiosyncratic cases. These episodes demonstrate that the post-GFC financial regulatory reforms have yielded tangible results.

In recent years, however, authorities in major jurisdictions increasingly stress the importance of striking the right balance between safeguarding financial stability and ensuring that the financial sector supports economic growth.

- For example, in the European Union, a document titled “*The Future of European Competitiveness*,” the so-called Draghi Report, was published in September 2024.² The report stressed that restoring the EU’s international competitiveness required improvement in productivity, structural reforms, and investment on an unprecedented scale. In response, the European Commission released the “Competitiveness Compass” in January 2025,³ highlighting regulatory simplification as one of the key measures to underpin EU competitiveness. The Commission published the first set of Omnibus packages that covers a number of legislative areas, including sustainability reporting.⁴

¹ The views expressed in this speech are my own and do not necessarily reflect the official views of the Financial Services Agency, Japan.

² https://commission.europa.eu/topics/competitiveness/draghi-report_en

³ https://commission.europa.eu/topics/competitiveness/competitiveness-compass_en

⁴ https://finance.ec.europa.eu/publications/omnibus-i-package-commission-simplifies-rules-sustainability-and-eu-investments-delivering-over-eu6_en

- In the United Kingdom, the current Labour government puts the financial services industry at the center of its growth strategy and has declared its ambition to make the UK the world's leading financial services hub again by 2035. In the "Financial Services Growth and Competitiveness Strategy," known as the Leeds Reforms in July 2025,⁵ the government set out measures to simplify regulation and boost the growth of the UK financial services industry, with a view to supporting fintech, promoting household investment, and revitalizing capital markets, among other goals.
- Also in the United States, the Trump administration has launched initiatives to streamline financial regulation under the banner of "modernization." Treasury Secretary Scott Bessent claims that regulators often overcompensate for supervisory failures by piling on rules without fully understanding the larger costs and benefits to society, and the Treasury will drive financial regulatory policy that prioritizes growth and safeguards financial stability.⁶ Fed Vice Chair for Supervision Michelle Bowman states that the bank regulatory system has become overly complicated with often conflicting and overlapping requirements and stresses the need to review the frameworks to eliminate unnecessary and outdated regulations and reduce burden.⁷

Taken together, these developments suggest an emerging global momentum toward modernization or simplification of regulation and supervision in pursuit of economic growth while maintaining financial stability. Indeed, the FSB Plenary issued a statement last Wednesday (November 19, 2025) that it had launched a new initiative to examine its members' efforts to modernize regulation and supervision.⁸

So, why has this momentum grown in major jurisdictions in recent years? I would raise the following three trends as possible reasons:

- One notable trend is that, in the context of slower economic growth, policymakers are increasingly seeking to leverage the power of finance to increase the supply of risk money and growth capital. Also, jurisdictions like the UK are promoting the financial services industry as a growth engine of the national economy, taking advantage of their status as international financial centers.
- Another trend is structural changes in financial services. Partly because bank regulation was strengthened following the Global Financial Crisis, non-bank financial intermediation has grown and is increasingly supplying the capital needed for economic growth. Meanwhile, new technologies such as blockchain and artificial

⁵https://assets.publishing.service.gov.uk/media/687e612692957f2ec567c621/Financial_Services_Growth_Competitiveness_Strategy_final.pdf

⁶ Treasury Secretary Scott Bessent Remarks at the Federal Reserve Capital Conference, July 21, 2025. <https://home.treasury.gov/news/press-releases/sb0202>

⁷ Opening Remarks by Michelle W. Bowman, Member, Board of Governors of the Federal Reserve System, at Economic Growth and Regulatory Paperwork Reduction Act Outreach Meeting, Federal Reserve Bank of Kansas City, Kansas City, Missouri, October 30, 2025. <https://www.federalreserve.gov/newsevents/speech/bowman20251030a.htm>

⁸ "FSB Plenary sets out 2026 work plan", <https://www.fsb.org/2025/11/fsb-plenary-sets-out-2026-work-plan/>

intelligence (AI) have the potential to profoundly transform financial services. These developments point to the need to adjust regulation and supervision to make them fit-for-purpose in the changing landscape. There is also an expectation that better regulation and supervision can promote responsible innovation.

- Thirdly, priorities of financial sector policies evolve according to the conditions of the financial system. As mentioned earlier, the resilience of the global financial sector has been strengthened through the implementation of regulatory reforms after the Global Financial Crisis. As my former boss at the FSA and now Deputy Governor of the Bank of Japan, Himino (Ryozo) san, argued back in 2018, now that the financial sector is stabilized, policymakers and regulators in major jurisdictions may be feeling the need to assess the cumulative effects and side effects of the reforms, as strong medicines had been prescribed relentlessly in response to the crisis.⁹

Japan's Banking Crisis and the FSA's "Dual Mandate"¹⁰

On the other hand, the concept of achieving financial stability and contribution to economic growth at the same time is not necessarily new in Japan. To understand why, it is useful to take a look back at Japan's financial sector policies for the past quarter of the century.

The FSA was established in 2000 following Japan's banking crisis of the 1990s. That crisis, triggered by the collapse of the bubble economy, undermined financial stability, led to a contraction of credit, and worsened Japan's real economy, which in turn further eroded the soundness of financial institutions. The experience of this negative feedback loop provided a profound lesson for Japan's financial authorities. Since then, the FSA has consistently pursued policymaking, regulation and supervision with two mandates in mind: maintaining financial stability and facilitating financial intermediation.¹¹

The balance between the two mandates has shifted according to the priority issues of the time. Until the early 2000s, restoring financial stability by resolving banks' non-performing loan problem was the FSA's top priority. Its activities were focused on a review of the quality of bank assets and verification of banks' compliance with requirements with regard to capital adequacy, provisioning and disclosure. These activities by the FSA contributed to restoring public trust in Japan's financial system; most financial institutions had satisfied minimum regulatory requirements by the late 2000s, and no bank failures have occurred in Japan since 2011.

In the meantime, however, the business environment surrounding financial institutions was becoming increasingly challenging due to the aging and declining population, shrinking domestic markets, and persistent low interest rates. Under this unfavorable business environment, rigorous risk management alone is not sufficient for financial

⁹ Speech by Himino Ryozo, Vice Minister for International Affairs, Financial Services Agency, Japan, at the 2018 ISDA Annual Japan Conference, Tokyo, October 26, 2018.
<https://www.fsa.go.jp/common/conference/danwa/20181026.pdf>

¹⁰ I drew substantially from Mr. Himino's 2018 speech (op. cit.) for the discussions in this section. Any responsibilities for errors or misunderstandings are mine.

¹¹ As stipulated in Article 3, Section 1 of the Act for Establishment of the Financial Services Agency, Act 130 of 1998, there is a third mandate of the FSA, which is protecting the users of financial services.

institutions to sustain their businesses and ensure their financial soundness. While financial stability is essential for the financial sector to support the economy, a sound economy is also a prerequisite for the safety and soundness of financial institutions, and hence financial stability. Financial regulation and supervision should therefore aim to achieve a virtuous cycle in which sound banks support the economy and a sound economy makes banks sound.

Based on these principles, the FSA started to adjust its supervisory policies from the late 2010s onwards.¹² Specifically:

- The FSA has replaced a number of comprehensive, prescriptive checklists with principles and engagement as the foundation of its supervision. In 2019, the FSA abolished the inspection manual that had played a key role in the resolution of non-performing loans after the banking crisis. Since then, we have pursued an optimal mix of rules and principles across areas such as prudential soundness, conduct, and operational resilience.
- The FSA now strives to conduct “dynamic” supervision, in which supervisors analyze the sustainability of the financial institution’s business models based on a forward-looking analysis, share their assessment with the firm, and, if needed, engage with it to explore remedial measures.
- The FSA also engages with the industry to explore best practices beyond ensuring that firms meet the minimum requirements, through conducting peer comparisons and developing principles. It also supports industry-wide initiatives, including those to explore shared frameworks among multiple institutions for risk management and internal audit, and encourage joint use of systems across institutions.

Let me also highlight a few recent FSA initiatives on the regulatory side.

- First, we abolished the statutory quarterly reports for listed companies, eliminating duplication with quarterly reporting rules of the stock exchange and reducing burdens on issuers.
- Second, we streamlined data collection from financial institutions by integrating and abolishing overlapping reporting forms previously required separately by the FSA and the Bank of Japan, and by consolidating submission channels under the FSA.
- Third, the FSA is acting proactively in its response to increased use of AI in the financial sector, with the aim of promoting responsible innovation. It has strengthened its engagement with stakeholders through publication of a discussion paper last March¹³ and holding forum meetings since last June to reach out to various stakeholders, with a view to clarifying and adjusting regulations as needed.

In summary, I would say that the FSA has been mindful of the two objectives of financial regulation and supervision since quite early. Japan experienced a systemic financial

¹² For a comprehensive discussion on how the FSA intended to transform its supervisory approaches in the late 2010s, see Financial Services Agency, 2018, *JFSA’s supervisory approaches: Replacing checklists with engagement*, June.

https://www.fsa.go.jp/en/wp/supervisory_approaches_revised.pdf

¹³ <https://www.fsa.go.jp/en/news/2025/20250304/aidp.html>

crisis ten years prior to the Global Financial Crisis; my country may be ahead of others in terms of modernizing regulation and supervision, too.

Leveraging the Power of Finance

With a relatively sound financial system but in the face of serious economic challenges, successive Japanese governments have been aiming to leverage the power of finance to strengthen the economy. The new Prime Minister, Takaichi Sanae, addressed Parliament on October 24, stating that the government would develop a strategy to unleash the potential of Japan's economy, particularly its local economies, by making use of the power of finance. In this context, the Prime Minister, and the new Minister of State for Financial Services, Katayama Satsuki, have reaffirmed their commitment to build on and expand the initiative to promote Japan as a leading asset management center.

Promoting Japan as a Leading Asset Management Center

As you probably know, this “asset management center” initiative forms a crucial part of the government's economic strategy. It is aimed at contributing to economic growth through the increased flow of household savings into productive investments, which would lead to companies' enhanced corporate value, and the fruit of the investment would then return to households for further investment and consumption. To this end, the FSA has been implementing comprehensive reforms across all participants in the investment chain—households, corporates, financial services providers, asset managers, and asset owners.¹⁴

Let me discuss the progress of the initiative so far and possible next steps.¹⁵

- First of all, NISA, a tax-exempt scheme for retail investors on capital gains and dividend income, was overhauled in January 2024. The investment limit was tripled, and the scheme was made permanent. Since this overhaul, total purchases using NISA accounts have increased by about 28 trillion yen, about 80 percent. One in four people aged 18 or older now holds a NISA account. The government also established J-FLEC (Japan Financial Literacy and Education Corporation) in April 2024 in an effort to raise the financial literacy of retail investors. Going forward, the FSA will aim to improve NISA further so that households of all generations can accumulate their assets in line with their individual life plans. To this end, the FSA has requested that the tax authorities consider: lowering the eligible age for “Tsuminate” (installment-type) NISA; expanding the range of eligible products; and allowing the reinstatement of the tax-exempt investment limit within the fiscal year.
- Second, the FSA has advanced corporate governance reforms in close collaboration with the Tokyo Stock Exchange (TSE), with a view to improving the functioning of Japan's capital markets and enhancing companies' long-term corporate value. In March 2023, the TSE requested listed companies to disclose measures to strengthen capital efficiency. As of the end of June 2025, 91 percent of

¹⁴ For details, see <https://www.fsa.go.jp/en/policy/pjlamc/20231214.html>.

¹⁵ See also my remarks at a conference on July 28, 2025, for the details of the progress up until then. <https://www.fsa.go.jp/common/conference/danwa/20250728.pdf>

the companies listed on the Prime Market have responded to the TSE's request, and the stock prices of those companies have outperformed those that have not. To advance the reforms further and yield substantive results, the FSA plans to revise the Corporate Governance Code to help Boards and shareholders verify if management resources are allocated adequately, and strengthen the accountability for effective compliance with the Code.

- Third, the FSA has taken a number of measures to reform Japan's asset management industry and patterns of asset ownership. For example, we have asked major financial groups to set out their plans to strengthen their asset management businesses. We also introduced a measure to allow asset managers to outsource middle- and back-office operations, in order to promote the entry of new asset managers. Furthermore, the government published the Asset Owner Principles that set out what asset owners are expected to do for the best interest of their beneficiaries. The FSA will continue to strengthen the communications with the asset management industry in Japan and abroad, including through the Asset Management Forum. This Forum was established in 2024, and its members include a number of US-based asset managers.
- Fourth, the FSA aims to facilitate the supply of growth funds and risk money. In order to support the growth of start-up companies, we will work to increase the attractiveness of venture capital; enhance support for companies before and after listing on the TSE Growth Market; and promote the trading of unlisted stocks. Possible measures may also allow investment trusts to include illiquid assets in their portfolio.

Driving the growth of local economies through finance

Building on this "asset management center" initiative, the new Takaichi government plans to develop a comprehensive strategy to create a virtuous cycle in which Japan's strengthened supply chains and investor confidence in Japan's economy would attract an inflow of growth capital from within the country and abroad.

A key part of the strategy will be a policy package to enable Japan's regional banks to contribute further to the growth of local economies. Minister Katayama announced that the government would put together relevant measures to develop a "Regional Financial Power Enhancement Plan" by the end of this year.

This relates to the shift in focus of the FSA's policies, regulation and supervision since the 2010s. While Japan is faced with the serious challenge of an aging and shrinking population, the problem is especially acute in its rural areas. This means a very unfavorable business environment for banks and other firms serving those areas. In order to survive in such a challenging business environment, one possibility is to grow with its local clients and economy by providing better financial intermediation and creating value to be shared with them. That would, in turn, enhance the soundness of the financial firm. The FSA believes that Japan's regional financial institutions still have the huge potential to support and revitalize local economies, given the information, human capital, and financial resources they have. The FSA is committed to doing what it can do to put in place an environment in which those firms can support the economy they serve in an effective manner.

Conclusion

There seem to be different factors behind an emerging discussion on “modernization” or “simplification” of financial regulation and supervision. It may be sluggish economic growth, a desire to strengthen international competitiveness, or the achievement of relative stability following extensive reforms. The FSA’s experience in the past 25 years suggests that the balance between the mandate for financial stability and that for contribution to economic growth shifts according to the priority issues of the time. Depending on the surrounding economic and financial environment facing the jurisdiction, it may be useful to take a step back to examine the effectiveness of regulation and supervisory practices to ensure they are fit for purpose. I look forward to the forthcoming FSB work on this issue and would be happy to share our experience.

Thank you for your attention.