

# The Status of Foreign Exchange Inspections

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The International Bankers Association prepared this translation with the intention of having the content accurately represent the Japanese original as much as possible; and it contains all information in the Japanese original relevant for the operations of a foreign bank branch in Japan. However, there are differences in layout and pagination from the Japanese original.

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## **The Status of Foreign Exchange Inspections**

### **Introduction**

Since the attacks of September 11, 2001, Japan has cooperated with the international community in fighting terrorism, has actively addressed the enhancement of safeguards against the financing of terrorism, and has taken several measures to freeze the assets of the Taliban and terrorist organizations. Since foreign exchange inspections are regarded as being of great importance to these efforts, the International Bureau of the Ministry of Finance established its ‘Foreign Exchange Inspection Manual’ in January 2003, revised the Foreign Exchange and Foreign Trade Law to include identification requirements, in April issued a notification on maintaining compliance with reporting and registration obligations in accordance with the Foreign Exchange and Foreign Trade Law, and in July established the Office of Foreign Exchange Examiners within the Ministry of Finance’s International Bureau.

### **1. Office of Foreign Exchange Examiners**

#### **(1) Background of Establishment**

Since such economic sanctions as the freezing of assets under the Foreign Exchange and Foreign Trade Law (Law No. 228, of 1949, hereinafter referred to as the ‘Foreign Exchange Law’) are conducted with international cooperation, Japan must be consistent in performing them. It is therefore necessary that financial institutions be requested to comply with the identification obligations of the Foreign Exchange Law and the Law on Customer Identification and Retention of Records on Transactions by Financial Institutions (Law No. 32, of 2002, hereinafter referred to as the ‘Identification Law’), to ensure the effectiveness of such measures as the freezing of assets. This has made it necessary to upgrade clerical systems for foreign exchange inspections as soon as is possible.

To facilitate more advanced planning for foreign exchange inspections, coordination among governmental bodies, overall supervision of inspections, and the maintenance of a system for foreign exchange inspections, the Office of Foreign Exchange Examiners has been established in the International Bureau’s Research Division, independent from the Office of Foreign Exchange, which is responsible for foreign exchange laws, ordinances, and other regulations.

#### **(2) System and Role of the Office of Foreign Exchange Examiners**

##### ***i. Composition***

The Office of Foreign Exchange Examiners is composed of seven foreign exchange examiners. Four of these are full-time examiners, while the remaining three also hold other relevant positions.

General Manager (and foreign exchange examiner): .....	1
Chief Foreign Exchange Examiner (full-time): .....	1
Foreign Exchange Examiner (full-time): .....	3