



# INTERNATIONAL BANKERS ASSOCIATION OF JAPAN

5 October 2026

## IBA Advocacy: Shareholder Identification Regime

### IBA Position

The International Bankers Association of Japan (IBA), as the sole market association representing foreign financial institutions operating in Japan across the banking, securities and investment management sectors, welcomes the proposed introduction of a shareholder identification regime.

The IBA recognizes the benefits of greater transparency in the investment chain and supports measures that facilitate constructive dialogue between corporate issuers and their shareholders. At the same time, the IBA believes that any new regime should be proportionate, predictable and consistent with established practices in other major jurisdictions, while taking into account the practical realities of the international investment and custody chain.

The IBA therefore encourages the Ministry of Justice (MoJ) to reconsider certain aspects of the proposed regime, particularly the proposed suspension of voting rights as a penalty for failures to provide shareholder identification information.

### Proposed Shareholder Identification Regime

The MoJ is considering the introduction of two complementary shareholder identification mechanisms.

#### 1. Issuer-initiated identification

Under the first system, an issuer would initiate a request for shareholder identification and custodians would be required to provide the requested information.

Monetary fines were initially considered as a penalty for custodians or shareholders that provide inaccurate information or fail to provide the required information. More recently, the

MoJ has proposed adding the suspension of voting rights as an additional penalty.

## **2. Large shareholder reporting**

Under the second system, shareholders would be required to report large shareholdings to issuers and the relevant authorities, broadly in line with the existing reporting requirements under Japan's Financial Instruments and Exchange Act for holdings exceeding 5%.

Under the current proposal, failure to comply with these requirements would result in the suspension of voting rights.

### **Proposed timetable**

The MoJ intends to finalize the overall framework by the end of 2026, with a view to submitting amendments to the Companies Act to the ordinary Diet session in spring 2027. Implementation would take place in ensuing years.

### **IBA Recommendations**

While the IBA supports the objective of greater transparency and more effective engagement between issuers and shareholders, the proposed penalty framework raises significant concerns. In particular, the IBA recommends that the suspension of voting rights should not be introduced as a general penalty under either system.

#### **1. First System: Issuer-Initiated Identification**

The IBA recommends that the proposed suspension of voting rights be removed from the first identification system and that monetary penalties remain the principal enforcement mechanism for non-compliance.

##### **(a) Suspension of voting rights would go beyond established international practice**

Effective enforcement is essential to the orderly functioning of financial markets, and the IBA recognizes that appropriate penalties may be warranted in cases of deliberate misconduct. However, the primary objective of shareholder identification is to facilitate transparency and constructive dialogue between issuers and investors. The IBA considers that this objective

should be pursued within the broader framework of Japan's principles-based approach to corporate governance, including the "comply or explain" philosophy of the Corporate Governance Code, rather than through a predominantly punitive framework.

The proposed combination of monetary fines and suspension of voting rights would also go beyond the approach generally adopted in other major jurisdictions. The IBA therefore believes that the introduction of voting-rights suspension as an additional penalty would be disproportionate to the objective of the identification regime.

#### **(b) Avoiding unintended consequences for investors**

The proposed penalty could also have consequences for investors that have neither engaged in deliberate misconduct nor refused to provide information.

In particular, voting rights could potentially be suspended even where:

- Only a small proportion of investors within a larger investment group fail to provide the required information; or
- The failure to provide or transmit the information results from an error or omission by a custodian or another intermediary rather than by the underlying investor.

In an international investment chain involving multiple intermediaries, responsibility for the provision and transmission of information may be distributed across several parties. A sanction affecting an investor's voting rights should therefore take account of where the failure occurred and whether the investor was responsible for it.

The IBA believes that the regime should avoid imposing disproportionate consequences on investors that have acted appropriately and in good faith.

## **2. Second System: Large Shareholder Reporting**

The IBA also has concerns regarding the proposed suspension of voting rights for failures to comply with large shareholder reporting requirements.

The IBA recommends consideration of the following measures.

#### **(a) Exemption for financial institutions subject to appropriate conditions**

The IBA recommends that financial institutions be exempted from the voting-rights suspension mechanism, provided that they do not actively engage in the governance of the issuer.

For this purpose, the exemption could be subject to conditions relating to active engagement in matters that would materially affect the governance or business activities of an issuer, including proposing or participating, directly or indirectly through their investors, in such proposals.

This approach would be comparable to the framework introduced through the 2020 amendments to Japan's Foreign Exchange and Foreign Trade Act. That framework has provided greater predictability and legal certainty for financial institutions while avoiding unnecessary disruption to the international investment chain.

The IBA believes that this approach provides a useful precedent for developing a proportionate shareholder identification regime and should be considered in preference to a broad suspension of voting rights.

#### **(b) Establishing appropriate due process**

The IBA is also concerned that the proposed system could give an issuer significant discretion to determine whether an investor's voting rights should be suspended.

Under the proposed framework, an issuer could determine that a shareholder has failed to comply with the relevant requirements and notify the relevant custodian of the suspension of voting rights. The custodian could then notify the investor concerned. Such a decision would be subject to a resolution by the issuer's Board of Directors.

Given the potentially significant consequences for an investor, the IBA believes that appropriate procedural safeguards should be incorporated into the regime to ensure transparency, consistency and fairness and to reduce the risk of inappropriate or disproportionate use of the suspension mechanism.

In particular:

- **Voting rights should only be suspended where their exercise by the investor concerned would materially prejudice the common interests of the issuer's shareholders as a whole, or of the other shareholders.**
- **Any notice of suspension should clearly explain the basis for the decision, including why allowing the investor concerned to exercise its voting rights would prejudice the common interests of shareholders.**
- **The investor concerned should have an appropriate opportunity to understand and, where appropriate, challenge the basis for the suspension before the suspension takes effect.**

These safeguards would help ensure that the suspension mechanism is used only in circumstances where it is necessary and proportionate to protect the legitimate interests of shareholders.

## **Conclusion**

The IBA supports the introduction of a shareholder identification regime that enhances transparency in Japan's capital markets and facilitates constructive dialogue between issuers and investors.

At the same time, the effectiveness of such a regime will depend on its ability to operate predictably and efficiently across the increasingly international investment and custody chain. The IBA therefore encourages the MoJ to ensure that the final framework:

- 1. Is proportionate to the objectives of shareholder identification;**
- 2. Takes account of the respective responsibilities of investors, custodians and other intermediaries;**
- 3. Avoids imposing sanctions on investors that are not responsible for a compliance failure;**
- 4. Is consistent, to the extent possible, with international practices; and**
- 5. Incorporates appropriate due-process safeguards where voting rights may be suspended.**

The IBA stands ready to contribute its cross-border market expertise and practical experience

to the development of a shareholder identification framework that strengthens transparency and issuer-investor dialogue while preserving the efficiency and integrity of Japan's investment chain.

