



Management Structure to Support the Increase of Corporate Value

The SBI Group is endeavoring to continuously enhance its corporate value by securing and fostering talented personnel who will support the rapidly expanding businesses (see pages 46 and 47), as well as strengthening the Company's corporate governance structure that balances both "offense" and "defense" strategies, and as a Group that is engaged in global finance, focusing on enhancing its anti-money laundering measures (see "Glossary" on p. 107). By strengthening the Company's management structure in these ways, we will be able to firmly grasp growth opportunities while also preparing for medium- to long-term risks that may possibly adversely impact the SBI Group's businesses.

Strengthening Corporate Governance Structure to Enhance Effectiveness

Since the SBI Group makes rapid decisions to conduct its businesses, one of its management challenges is to strengthen its corporate governance structure, which is rooted in its "defense" strategy. The Company has chosen a Board of Statutory Auditors structure and has appointed multiple Outside Directors, in order to attain substantive oversight functionality with a prompt decision-making process. However, on the premise that further technological innovations will accelerate changes in the business environment, it will be essential to make decisions with a sense of speed more than ever before.

Strengthening Management Structure for Future Medium- to Long-term Advancements

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Meanwhile, the Company must constantly endeavor to strengthen management oversight and transparency. Therefore, from June 2019 at least one third of the Board of Directors is, in principle, comprised of Independent Outside Directors. Moreover, a Management Advisory Committee, comprising a majority of Independent Outside Directors as committee members, has been established to replace the previous Outside Director Liaison Committee. This committee is a voluntary advisory body to the Board of Directors that strengthens the objectivity and transparency of Board functions and deliberation processes, such as the selection of Directors and Statutory Auditors, appointing and dismissing management executives, including the President, deciding on remuneration for Directors, and developing the next generation of management executives.

Increasing Global Importance of Anti-money Laundering Measures

Another important management issue facing financial institutions is that of strengthening anti-money laundering measures, and measures to prevent funds from reaching terrorist organizations. In this regard, the Financial Action Task Force (FATF)* was established, in which major developed and developing countries are members, and efforts are being made in line with global standards, including the development of international standards and the examination and guidance of member countries. With FATF planning a review of all Japanese financial institutions in the fall of 2019, the Japanese Financial Services Agency (FSA) published guidelines on anti-money laundering and combating the financing of terrorism (AML/CFT) (see "Glossary" on p. 107) in February 2018. The SBI Group is also strengthening its stance in line with this guideline. A corporate group like ours, with a diverse range of services including international money remittance and crypto-assets, in addition to securities, banking and insurance, is rare within the Japanese financial sector. We

are strengthening our AML/CFT measures with the awareness that our actions may receive a high level of scrutiny.

Since this will require a Group-wide effort, we established a new team within the Financial Conglomerate Governance Dept., in October 2018, as a unified response to this problem. Under this organizational structure, and in line with the FSA guidelines, the team is proactively assessing and countering risk situations through a risk-based approach, and is planning and implementing countermeasures focused on Group-wide and global consistency.

The Group efforts are focused on four main initiatives: 1) make a “heat map” of AML/CFT risk by investigating and analyzing the risk of each Group company, creating an overall picture so the Group can clearly pinpoint where to focus resources; 2) enable adoption and consideration of new IT solutions in order to develop and incorporate new IT systems for filtering high-risk transactions and monitoring irregular transactions; 3) hold Group AML/CFT Committee meetings every three months to share and discuss information with management from all Group companies,

as it is vital that management executives are fully aware and involved in anti-money laundering measures; and 4) develop a “milestone roadmap” of concrete goals and schedules to be set and shared with each Group company in order to ensure that results are achieved. These AML/CFT countermeasures will be fully implemented to provide a strong stance against money laundering and terrorism financing.

*Financial Action Task Force (FATF): Established in 1989 as an inter-governmental organization. As of April 2019, 36 countries and two regional organizations are members.

FOCUS Cybersecurity

My Mission is the Thorough Enforcement of Cybersecurity

It is clear that there must be an intensification of cybersecurity in the coming era, as its importance will only increase. However, when compared on a global basis, such an awareness is relatively low in Japan. As the SBI Group and other Japanese financial institutions increase their global presence, strong cybersecurity has become a priority prerequisite. For Japanese companies, cybersecurity generally consists of measures to prevent access by outsiders, but cybersecurity is by nature much more multifaceted. Preventing a data breach is only the beginning of cybersecurity. After a breach, there are various countermeasures such as isolating the program, complete deletion, system recovery and post-breach measures. When considering security countermeasures, the key is to think in terms of “when” not “if.” That is why the SBI Group designs and thoroughly implements countermeasures across the entire Group on the premise there will be a security breach.

SBI Security Solutions is developing its own security services using the latest technology from companies in which the Group has invested, and it plans to roll out these services to those inside and outside of the Group in 2019. The services currently under development will also be able to protect the confidential information of companies outside of the financial industry, and will meet the requirements of FATF for use in the field of AML/CFT.



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