

# Whistleblowing certification regime – update

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## Introduction

### [Overview of WCMS certification regime](#)

### [Update on WCMS certification regime](#)

### [Comment](#)

## Introduction

Over the past decade, multinationals based in Japan, like their peers in other Organisation for Economic Cooperation and Development countries, have suffered a number of significant public scandals that have stemmed from regulatory and compliance failures.

One theme that emerged from a number of these investigations was that the conduct in question was often not reported via the company's existing whistleblowing system. In response, the [Consumer Affairs Agency](#) launched an investigation which ultimately led to the creation of the whistleblowing compliance management system (WCMS), a certification regime for corporate whistleblowing systems (for further details please see "[Whistleblowing certification regime launched](#)").

## Overview of WCMS certification regime

The WCMS will ultimately consist of two types of certification regime:

- a self-declaration of conformity system; and
- a third-party certification system.

Currently, only the self-declaration system is operating, but there are already signs that companies are embracing this aspect. Widespread adoption of the self-declaration system may indicate companies' appetites to participate in the third-party certification system when it is eventually launched.

## Update on WCMS certification regime

In May 2019 only five companies had signed up to the self-declaration system and been granted WCMS status. As of November 2020, the number of companies which had been granted WCMS status had grown to 87.

However, the number of registered businesses should be treated with some caution. First, the businesses predominantly belong to the banking and financial services sectors which are strictly regulated, so these institutions likely already operated sophisticated compliance programmes. Second, when a large corporate provides a self-declaration and is granted WCMS status, it appears that, in some cases, several companies within the same group have also applied and have been granted WCMS status at the same time. For instance, both the Mitsubishi UFJ Financial Group and Mitsui Sumitomo Insurance Group have multiple group companies that have joined the scheme. If non-related entities are excluded from the statistics, the total number of registered businesses is in the low 70s rather than the high 80s.

## Comment

Neither of the points discussed above should detract from the success of the scheme to date. Overall, the response to the WCMS has been positive, with entities from approximately half of Japan's [20 largest corporate groups](#) having joined the scheme. It is expected that this trend will continue in 2021.

To date, no estimated timeline for the launch of the third-party certification scheme has been published.

*For further information on this topic please contact [John Lane](#) or [Hiroki Ishii](#) at Nagashima Ohno & Tsunematsu by telephone (+81 3 6889 7000) or email ([john\\_lane@noandt.com](mailto:john_lane@noandt.com) or [hiroki\\_ishii@noandt.com](mailto:hiroki_ishii@noandt.com)). The Nagashima Ohno & Tsunematsu website can be accessed at [www.noandt.com](http://www.noandt.com).*

## AUTHORS

### [John Lane](#)



### [Hiroki Ishii](#)



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