

Reference: Composition of Supervisory Policies (Major Banks)

1. Overview

1. Environment Surrounding the Financial System

- Risk factors: possible slowdown in the global economy, fluctuations in financial and capital markets, the influence of deflation, etc. (especially the worsened European fiscal problems, and uncertainty in the economic outlook in the U.S)
- Role of finance expected under the New Growth Strategy (role of backup for real economy and enterprises)

2. Approach Taken by Supervisory Authority

- Under basic policy to have better regulation become further embedded and enhanced, the FSA will take the following approaches as the supervisory authority.
 - 1) Financial administration with high risk sensitivity (identify and understand the risks which accumulate in each financial institution and in the financial system with a forward looking perspective)
 - 2) Financial administration from a Citizen's and User's Point of View (further improve customer protection and convenience for users)
 - 3) Supervisory Response with a future outlook (thoroughly determines the progression of international discussions, and considers environmental changes)
 - 4) Supervisory Response which contributes to financial institutions autonomously improving management and making better business judgments (frank and deep discussions with financial institutions)

* Closer cooperation with inspection divisions, SESC and Bank of Japan

* Supervisory Response which considers reducing burdens on financial institutions (periodically review reporting etc. once per year)

2. Areas Emphasized in Supervision

1. Performing a Smooth Financial Intermediary Function

(1) Promote Initiatives of Financial Institutions for Promoting Sustainability of Business

(Understand the actual state of efforts for emphasizing growth potential, under the New Growth Strategy)

(2) Perform Financial Intermediary Functions for SME Finance, and Loans to Individuals (Housing Loans, etc.)

- 1) Smoother loans to SMEs, & housing loans (including Act on Financial Support for Small and Medium-sized Companies)
- 2) Understand actual situation regarding active efforts for loans to consumers

2. Risk Management and Stability of Financial System

- Emphasize a Macroprudential Perspective
(Use a method which integrates diverse tools: macroeconomic analysis, market monitoring, and supervision of individual financial institutions)

(1) Enhancement of financial foundations (Enhance capital, including securing profits)

(2) Improved Risk Management Techniques (☑ Enhance quality of stress tests, ☑ Stronger handling of market risks, ☑ Response to limits of quantitative risk control techniques)

(3) Responding to Grouping and International Developments (☑ Risk management in entire group, ☑ Risk management including non-Japanese credit, ☑ Liquidity management)

3. Improving Customer Protection and Convenience for Users

(1) Thorough Management of Information Security - Thorough and strict management of customer information

(2) Enhancing System for Providing Explanations to Customers - Handling of regulation of unsolicited offers, handling of people with visual and other disabilities

(3) Enhancing Systems for Processing Consultations and Complaints from Customers - Handling of financial ADR system introduced in October

(4) Preventing Abuse of Financial Functions - Fast and accurate handling of damages due to furikome fraud