



FSA Newsletter No. 98 2011

<http://www.fsa.go.jp/en/newsletter/index.html>



**Greeting by Minister for Financial Services
Shozaburo Jimi (center) at Meeting of
Directors-General of Local Finance Bureaus
(July 29)**



**Parliamentary Secretary Takashi Wada
holds press conference on the "Proposal
of Project Team on Specific uses of
payments to the Deposit Insurance
Corporation" (July 14)**

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Great East Japan Earthquake - Related Information

We give our deepest condolences for people who died in the 2011 Great East Japan Earthquake, and our heartfelt sympathy for the victims who suffered losses.

The FSA is providing “Great East Japan Earthquake - Related Information” in the following places.

1. Great East Japan Earthquake - Related Information: We are putting all efforts into financial countermeasures

The FSA created a [Great East Japan Earthquake - Related Information](#) section on its web site, providing information for each of the following items.

(1) [For depositors](#)

- Even for people who have lost their bank deposit book or hanko, if the depositors present documents that make it possible to identify them, the depositors will get access to their deposits at their financial institutions.
 - Even if one has lost documents which make it possible to identify them, the financial institutions are striving to provide flexible responses: asking the person's name, address, and other personal information, confirming that these match registered details, then providing access to deposits, etc.
 - If family members of deceased or missing immediate relatives provide vital documents, family members can get access to deposits.
 - The Japanese Bankers Association provides information on deposits of deceased or missing people on request of their families.
 - Even if one has been displaced, one can still get access to deposits at financial institutions other than your own.
 - It is very important to support disaster victims by donations from many people, and that victims working to rebuild their lives can smoothly open bank accounts. Therefore, necessary actions are being taken for personal identification procedures.
- Refer [here](#) for details. Also, [be careful of fraud in donations, etc.](#) (Available in Japanese only)

(2) [For borrowers](#)

- Financial institutions are working to respond as much as possible when there are requests for grace periods for loan repayments or provisions for stop-gap funds, etc. from borrowers directly and indirectly affected by the disaster.
- Grace periods will be given for non-payment of drafts and checks which cannot be settled because of the disaster.
- Financial institutions are also working to handle loan applications flexibly and quickly. For example, financial institutions are considering the situation of disaster victims, and will minimize the required documents for submission for loans.

(3) [For insurance policy holders](#)

- Life insurance and non-life insurance companies are working on fast and easy procedures of insurance payouts.
- Even if insurance certificates or documents enabling personal identification are lost, there will be flexible responses to each individual customer's situation. If one does not know which insurance company one has policies with, ask an insurance association or any insurance company.
- A customer who is a disaster victim can receive a grace period for insurance premium payments, if requested.

2. Great East Japan Earthquake - Related Information: FSA cell phone website

The FSA created cell phone web pages for earthquake disaster related information.

* For details, please go to the FSA web site and access [“FSA cell phone website.”](#) or use the QR code (below).



[FSA cell phone website](#)

3. FSA Twitter

FSA has used Twitter to provide information to the public on finance related to the Great East Japan Earthquake. As three months have passed since the earthquake, in addition to earthquake-related information, we will now also provide information on various initiatives for finance.

* For details, please go to the FSA web site and access [“FSA Twitter”](#). (Available in Japanese only)



[“FSA Twitter”](#)

Earthquake related Topics

Actual Insurance Payouts and Mutual Aid Payouts related to the Great East Japan Earthquake

1. Actual Insurance Payouts and Mutual Aid Payouts, etc.

The FSA summarized the expected and actual insurance payouts and mutual aid payouts related to the Great East Japan Earthquake, and published these on the FSA web site on July 19.

Actual life insurance payouts and non-life insurance payouts (earthquake insurance) are published weekly by The Life Insurance Association of Japan and The General Insurance Association of Japan. In addition to this, the FSA collected and summarized information from each ministry and agency and non-life insurance companies, regarding possible payouts due to the Great East Japan Earthquake: the portion of non-life insurance payouts which are to enterprises, mutual aid payouts by the National Agricultural Cooperative Federation of Mutual Aid which is under the jurisdiction of the Ministry of Agriculture, Forestry and Fisheries, mutual aid payouts by the National Federation of Workers and Consumers Insurance Cooperatives which is under the jurisdiction of the Ministry of Health, Labour and Welfare, etc. The FSA has now published this externally for the first time.

According to this, the “Expected amount” of payouts is “approximately 2,700 billion yen.” The “Actual amount” of payments as of July is “approximately 1,800 billion yen.”

Insurance, Mutual aid	Expected payouts	Note	Actual	Note
• Life insurance	¥200 billion	Published 4/15	¥90 billion	As of 7/7
• Non-life insurance (<u>Household earthquake insurance</u>) (Total of all companies)	¥970 billion	Non-life insurance industry Trial calculation	¥1,050 billion	As of 7/7
• Non-life insurance (<u>other than earthquake insurance</u>) (5 major non-life insurance companies) <i>Of this, the substantial burden excluding amounts which can collect from reinsurance companies</i>	¥600 billion (¥200 billion)	5/19 Earnings announcements	¥70 billion	As of early July
• Major mutual aid societies (*2)	¥900 billion	April - May announcements	¥600 billion	As of July

(*) Major mutual aid societies with mutual aid payouts related to the earthquake, tsunami, etc.

National Agricultural Cooperative Federation of Mutual Aid (JA Mutual Aid), National Federation of Fisheries Cooperative Associations (JF Mutual Aid), National Federation of Workers and Consumers Insurance Cooperatives (Zenrosai), The Federation of Japanese Consumer Cooperatives (Prefectural Citizens Mutual Aid), Japan Federation of Cooperative Mutual Aid Corp (Coop Mutual Aid Federation) (*Mutual aid cooperatives which pay mutual aid payouts and life insurance mutual aid payouts to compensate for damage to buildings etc. due to earthquake, tsunami, etc.)

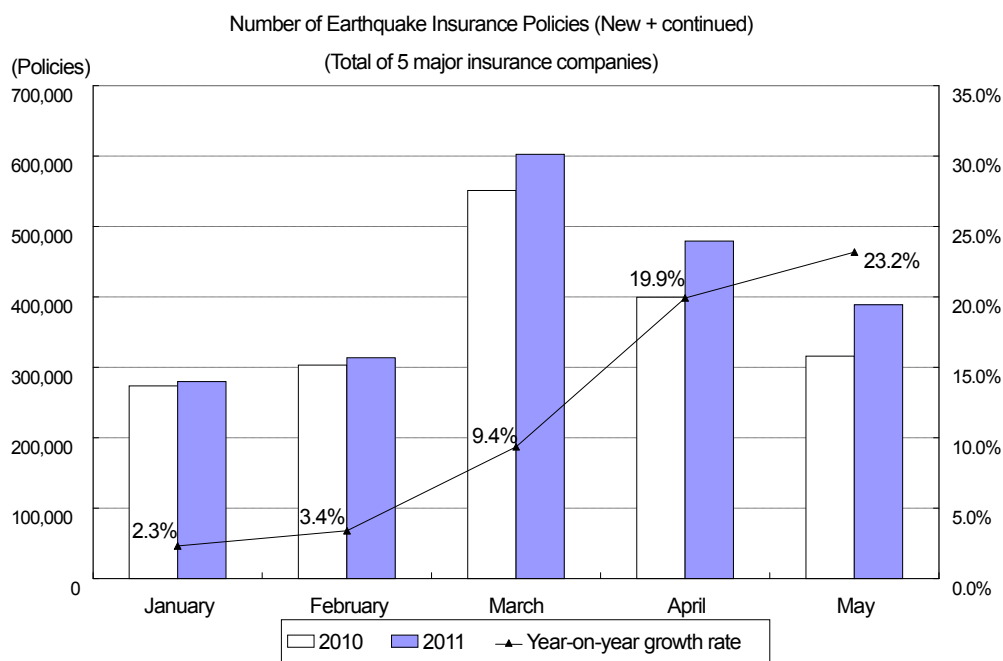
Expected total: Approximately ¥2,700 billion

Actual total: Approximately ¥1,800 billion

2. Number of Earthquake Insurance Policies

At the same time, the FSA published the number of earthquake insurance policies and their growth rate, from January to May, 2011.

The number of earthquake insurance policies was increasing by around 3% compared to the previous year, but after the earthquake it jumped by 9.4% in March, 2011. Then it grew by 19.9% in April and 23.2% in May. The earthquake clearly sparked a large increase in people purchasing earthquake insurance policies.



* For details, please go to the FSA web site and access [“Actual Insurance Payouts and Mutual Aid Payouts related to the Great East Japan Earthquake” \(July 19, 2011\)](#) from the Press Releases section. (Available in Japanese only)

Other Topics

Consultative documents published on Systemically Important Financial Institutions (SIFIs): “Global systemically important banks: Assessment methodology and the additional loss absorbency requirement” and “Effective Resolution of SIFIs”

On July 19, the Financial Stability Board (FSB) and the Basel Committee on Banking Supervision (BCBS) published two consultative documents on Systemically Important Financial Institutions (SIFIs): (1) “Global systemically important banks: Assessment methodology and the additional loss absorbency requirement”, and (2) “Effective Resolution of SIFIs”.

1. Background and History

For Basel III which applies to internationally active banks, in December 2010, the content agreed on at the Group of Governors and Heads of Supervision (GHOS) meetings until then and approved at the G20 Summits was put into text. At the November 2010 Seoul Summit, agreement was reached on a framework of study for strengthened regulation and supervision of Systemically Important Financial Institutions (SIFIs), and study progressed on policies such as assessment methodology and additional capital adequacy regulations of Global SIFIs (G-SIFIs), the improvement of resolution regimes, and proper inspection and supervision methods. At the GHOS meeting at the end of June 2011, broad agreement was reached on assessment methodology and additional capital adequacy regulations of G-SIFIs, and the FSB also studied development of an effective resolution regime.

2. Main Points of the Consultative Documents

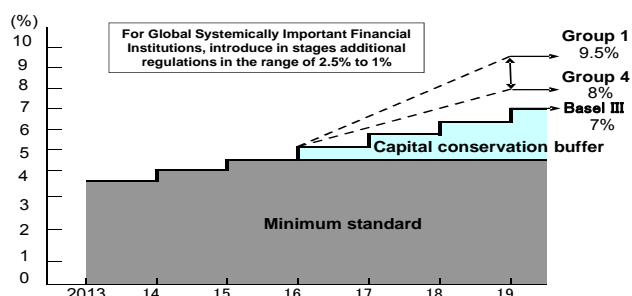
(1) G-SIFIs: Assessment Methodology and the Additional Loss Absorbency Requirement

Systemic importance is assessed based on a quantitative “indicator-based measurement approach,” by 12 types of indicators corresponding to the five risk factors of “size,” “interconnectedness,” “complexity,” “substitutability” and “cross-jurisdictional activity.” The individual names and countries of G-SIFIs are not

published, but 28 banks were selected from among 73 major banks in the world, and corresponding their systemic importance, this imposes an additional 1 to 2.5% to be met with common equity. The plan is to implement this regulation in stages from 2016 to 2019, with complete implementation on January 1, 2019.

Systemically Important Financial Institutions

Additional Capital Adequacy Regulations



(2) Effective Resolution of SIFIs

In the published consultative document, for resolution of financial institutions, the following mechanisms were presented as a framework to prevent systemic damage without exposing the taxpayer to the risk of loss.

- a. Key Attributes of Effective Resolution Regimes (Sets out the powers and tools that all jurisdictions' regimes for resolution of financial institutions should have to be effective)
- b. Bail-in within Resolution (Advocates a bail-in regime to enable creditor-financed recapitalisation of financial institutions, as one of the options)
- c. Institution-specific Cross-border Cooperation Agreements (Conclude for each G-SIFI. Sets out proposed minimum common elements of institution-specific cooperation agreements.)
- d. Recovery and Resolution Plans (Mandatory crisis management planning for each G-SIFI)
- e. Resolvability Assessments (Assessment of each SIFI, based on certain standards)

(3) Evaluation by FSA

The FSA has advocated that instead of narrowing the focus on only additional capital regulations, the aim should be a comprehensive policy package, and there should be balanced regulations which reflect the degree of risks of each G-SIFI. The content of this consultative document reflects the points advocated by Japan, and is considered to have merit. Also, Japan is actually operating an improved resolution system, based on Japan's experience of its own financial crisis. The FSA is going to refer to FSB's discussions as needed.

3. Future Plans

About six weeks were provided for comments and responses to each of these consultative documents: Effective Resolution, and G-SIFIs: Assessment Methodology and the Additional Loss Absorbency Requirement. Based on these results, the plan is to submit the final recommendations by the Cannes Summit this November.

* For details, please go to the FSA web site and access [“Global systemically important banks: Assessment methodology and the additional loss absorbency requirement” Consultative Document published by Basel Committee on Banking Supervision](#) (July 21, 2011) and [“Consultative documents on Systemically Important Financial Institutions \(SIFIs\) published by the Basel Committee on Banking Supervision”](#) (July 21, 2011) from the “International Related Information” section. (Available in Japanese only)

Revision of Measures to Prevent Negative Effects related to Insurance Solicitation by Banks, etc.

Measures were taken to prevent negative effects of insurance solicitation by banks, etc., and prohibition of bank

solicitation was removed in stages. Bank solicitation of all insurance products was approved in December 2007 (prohibition completely ended).

Regarding measures to prevent negative effects, in completely ending prohibition, it was decided that “Considering factors such as monitoring results, for the protection and convenience of insurance policyholders etc., measures to prevent negative effects will be revised as needed after roughly three years.” Accordingly, the FSA collected monitoring results, interviewed related parties, etc., and studied revision of these measures.

Based on the results of this study, it was decided to make the following revisions to measures to prevent negative effects, while maintaining their framework.

1. Borrower Solicitation Regulations, etc.

- (1) For certain insurance products, banks shall not obtain fees and solicit insurance to borrowers of business funds (if a small enterprise with 50 employees or less, including its employees, etc.) (Borrower Solicitation Regulation.)

This regulation continues to remain in place. However, this regulation does not apply to solicitation of other business related insurance such as single premium whole-life insurance, single premium endowment life insurance, accumulated injury insurance and accumulated fire insurance (only for insurance policyholders which are group companies of a bank etc.). (Order for Enforcement of the Insurance Business Act (hereinafter referred to as “Order”) Article 212, Paragraph 3, Item 1, Article 212-2, Paragraph 3, Item 1, etc.)

- (2) Insurance products subject to Borrower Solicitation Regulation cannot be solicited to loan applicants (Timing Regulation).

This regulation continues to remain in place. However, insurance solicitation to applicants for loans of non-business funds is not subject to this regulation. (Order, Article 234, Paragraph 1, Item 10)

- (3) For regional financial institutions, special provisions established on solicitation of insurance products subject to the Borrower Solicitation Regulation:

- (i) It is possible to take different measures to substitute for the People in Charge Separation Regulation (Regulation which prohibits solicitation of insurance products subject to the Borrower Solicitation Regulation, by a person who engages in the operation of handling customers regarding loans of funds needed in business), and it is possible to solicit insurance to employees etc. of a borrower which has from 21 to 50 employees. On the other hand,
- (ii) there is a maximum insurance amount for an insurance policy with a policyholder who is a borrower’s employee etc. (including employee etc. of a borrower with over 50 employees).

This special provision continues to remain in place. However, if the People in Charge Separation Regulation mentioned above applies, then the only insurance solicitations subject to the insurance amount restriction shall be those to potential policyholders who are employees etc. of borrowers with 50 or less employees. (Order, Article 212, Paragraph 4, Order, Article 212-2, Paragraph 4, etc.)

2. Measures to Ensure Effectiveness of Measures to Prevent Negative Effects

- (1) To prevent confusion between insurance products and deposits, there are mandatory explanations in writing and by other methods, and there shall be written confirmation that the customer understands those explanations. (Comprehensive Guidelines for the Supervision of Major Banks, etc., III-3-3-2-2, Comprehensive Guidelines for the Supervision of Regional Financial Institutions, II-3-2-5-2(4))
- (2) Previous customer agreement is required to enable insurance solicitation operations to use undisclosed financial information, but when obtaining such agreement, the bank must make clear its means of insurance solicitation, scope of information to be used, methods to cancel the agreement, etc. (Comprehensive Guidelines for Supervision of Insurance Companies, II-3-3-9-2)
- (3) When soliciting housing loan related insurance, the bank must explain that this does not affect its other bank transactions etc., and the customer shall be provided with written explanation that purchase of such insurance is not a loan condition. (Comprehensive Guidelines for Supervision of Insurance Companies, II-3-3-9-6)

3. Effective Date

It was decided to revise the cabinet office ordinances related to the above details and other technical revisions, to take effect or apply starting April 1, 2012.

The FSA continues working to understand the actual status of insurance solicitation by banks, etc. Specific deadlines are not set for future revisions of measures to prevent negative effects. Such revisions will be made as the need arises.

- * For details, please go to the FSA web site and access [“Revision of Measures to Prevent Negative Effects related to Insurance Solicitation by Banks, etc.”](#) (July 6, 2011) and [“Draft Cabinet Office Ordinance for Partial Amendment of the Order for Enforcement of the Insurance Business Act, etc. published”](#) (July 8, 2011) from the Press Releases section. (Available in Japanese only)

The FSA also published an outline of proceedings concerning interviews with related parties, so please go to the FSA web site and access [“Documents from interviews with related parties concerning insurance solicitation by banks, etc. \(held May 27 and May 30, 2011\)”](#) (May 31, 2011) from the Press Releases section. (Available in Japanese only)

Comprehensive Inspection of IT System Risks in Financial Institutions

The computer systems of financial institutions are at the core of settlement systems, and have very public aspects as social infrastructure. When a failure occurs, it has large effects on user convenience and society, and can only result in the financial institution losing its credibility.

The IT system failure seen at one major bank in March 2011 was actually caused by a unique situation, but even so, it provides useful lessons which should be considered by each financial institution.

From this perspective, on July 8, 2011, the FSA Director-General of the Supervisory Bureau issued written requests to related financial organizations, etc., requesting comprehensive inspections of IT system risks under the active leadership of the management of each financial institution, and the submission of their self-inspection results.

Below is an outline of the comprehensive inspections to be done by each financial institution.

- (1) Are the responsibilities which management should fulfill and actions which should be taken when an IT system failure occurs clearly stated in normal times?
- (2) Does the bank study what kinds of risks its own IT system could entail, considering changes in the external environment (generally bring risks to light)? Also, does the current IT system sufficiently handle the risks brought to light?
- (3) How are the current IT system and next generation IT system positioned in the business strategy? Also, while appropriately maintaining and managing the current IT system, is the next generation IT system developed according to a plan?
- (4) Is there a clear chain of command when a failure occurs?
For example,
 - Is an organization created which can bring together practical workers and managers who can take command, that can form a core group which can create the prospect for recovery during an emergency?
 - If outsourced, is the entire IT system also sufficiently understood in the financial institution, and are personnel assigned? Do operations totally rely on the outsourcing contractor?

- * For details, please go to the FSA web site and access [“Comprehensive Inspection of IT System Risks in Financial Institutions”](#) (July 8, 2011) from the Press Releases section. (Available in Japanese only)

Outline of Results of Questionnaire Survey on User Evaluations of Region-based Relationship Banking Initiatives of Regional Financial Institutions

1. Survey Objectives, etc.

Based on the “Comprehensive Guidelines for the Supervision of Regional Financial Institutions,” the FSA performs a survey once each year in order to understand user evaluations of region-based relationship banking initiatives by regional financial institutions. The FSA publishes these results and utilizes them in handling its supervision thereafter.

This time, nationwide Local Finance Bureaus etc. conducted a questionnaire survey by interviews with users etc.* in each region from May to June 2011. The FSA published an outline of the survey results on July 29, 2011.

Considering the supervision guidelines revision in May 2011 which was mentioned above, there were many changes to the survey items. Therefore, the outline of these survey results has not been compared with past survey results.

* 467 small and medium-sized businessperson, 413 management consultants etc. of chambers of commerce and industry, and of societies of commerce and industry, and 92 staff etc. of consumer affairs centers, for a total 972 people.

2. Evaluations of Initiatives by Financial Institutions (Open Answer Evaluations)

This survey obtained opinions about valued points and insufficient points of region-based relationship banking initiatives of regional financial institutions. The main opinions were as follows.

(1) Wielding of Consulting Functions for Client Enterprises

(Approach to Strengthening Everyday Relationships)

Valued point

- It periodically visits client enterprises, so it maintains good business relationships over many years, and responds to various consultations.
- It visits small and medium-sized enterprises, actively working to understand monthly business conditions and provide advice, etc.

Insufficient point

- It rarely visits client enterprises, with insufficient collection of information at business sites. Thus it seems they cannot properly assess managers' business approaches, and enterprises' technical strengths and potential.
- Region-based relationship banking initiatives rarely produce short term results. I think that initiatives are required over the medium and long term, but when the contact person changes in the financial institution, good relations built until then disappear. I feel it has insufficient ongoing initiatives as an organization.

(Business Matching)

Valued point

- When a client enterprise does business overseas, the financial institution gives active support, for example overseas providing business discussion opportunities to expand its sales channels.
- The financial institution digs into information on companies collected in communication over many years, and introduces business partners which are truly needed.
- When financial institutions create business matching opportunities such as for greater sales channels, this serves to back up the very weak sales abilities of small and medium-sized enterprises.

(Ability to Discern the Business Potential of Borrower Companies)

Valued point

- One can increasingly see its approach of utilizing collected information, and digging up the technical abilities and potential of micro, small and medium-sized enterprises.

Insufficient point

- Different employees have different levels of ability to discern the business potential of borrower companies. It seems that young employees can only speak according to the manual, can't find opportunities from clues in conversations, and can't give advice.
- We are confident in our metal forming manufacturing technology, but financial institution staff don't understand where our strengths are. They need to improve their ability to discern the business potential of borrower companies.

- Financial institutions often come to us talking about favorable interest rates when they do sales, but they should work on differentiation in aspects other than interest rates. They need to boost their bank staff's abilities, especially their ability to discern the business potential of borrower companies.

(Initiatives for Business Improvement & Turnaround)

Valued point

- The financial institution has people with qualifications (Small and Medium Enterprise Management Consultants, etc.), and we receive appropriate advice on financial aspects, business management aspects, etc.
- When developing new products, in addition to financial support, it actively participates in manufacturing, sales and management.
- Through business analysis of client companies, it actively proposes policies to achieve business targets and solve business issues, so much that it surprises the companies.
- In making our business improvement plan, the headquarters' company support section worked with the branch office to hammer out a plan, based on the financial statements we submitted. They also considered what we wanted. They were very cooperative.
- I feel they are pushing region-based relationship banking: Proposing cost reduction actions, matching support for sales channel expansion, sending an expert for business improvement, etc.

Insufficient point

- They are actively working to foster human resources by training to get qualifications like Small and Medium Enterprise Management Consultant. But this is not used for advising client enterprises. They only show results of analyzing the financial situation, but don't give appropriate advice.
- For small and medium enterprises, I would like them to give ideas for business development and improved business health, and work on them more actively. I feel I see glimpses of their approach of only superficially working according to the FSA's policies.
- I think there is no wielding of consulting functions by financial institutions. There is no advice other than obvious things we already know, like boost gross margin and cut stocks. They don't advise on fundamental solutions.
- They wield their consulting function and give business support for large borrowers and borrowers with good business conditions, but I don't see them doing this much for borrowers who are small or have worse business conditions. It seems like financial institutions choose the enterprises they work for.
- In doing turnaround, I think they should use more debt-debt swaps, debt-equity swaps and funds when they work on support.

(Cooperation with External Experts, External Institutions, etc.)

Valued point

- Regarding various public measures such as Small and Medium Enterprise Support Centers and the Small and Medium Enterprise Support Network Strengthening Project, they are working on turnaround, business support, etc., in cooperation with chambers of commerce and industry, etc.
- They propose better repayment plans and planning in cooperation with various institutions, not just the financial institution alone.
- In making business startup plans and business improvement plans, they actively cooperate with external institutions, seeking the cooperation of management consultants (Small and Medium Enterprise Management Consultants, tax accountants, etc.) of chambers of commerce and industry and societies of commerce and industry, etc.

Insufficient point

- Business support activities such as business improvement and turnaround are done too much inside the financial institution. There is little cooperation with external experts.
- If they cooperate with external institutions, and provide advice and guidance for business improvement of client enterprises, wouldn't it be more effective for stimulating the regional economy?

(Other Opinions)

Valued point

- After the Great East Japan Earthquake, each financial institution set up a system for wielding consulting functions more than in normal times. For example, they set up contact points, developed recovery related option menus, etc.

Insufficient point

- Eagerness to work on region-based relationship banking depends on the person in charge. I have doubts whether the headquarters' intentions and policy are reaching the front line branch office staff.

(2) Active Participation in Planning the Region's Area Revitalization

Valued point

- They actively participate in planning for support projects to stimulate the region's tourist industry and shopping districts, etc.

- The local government and local financial institutions cooperated to set up the “City Improvement Fund,” and are working to stimulate the region.
- I feel they have a region-based relationship approach which values enterprises attempting unique and ambitious business development, with a system of awards for business plans which lead to economic stimulation of the region and regional development, regardless of the size of the enterprise.
- They provide funding support for startups and new projects which lead to regional stimulation and development. They also provide project support as needed to the region’s entrepreneurs, etc.

Insufficient point

- As a local financial institution, don’t they lack eagerness to contribute to regional stimulation?
- Their regional stimulation initiatives seem temporary, and only for the financial institution’s advertising.
- Currently, I don’t see what the financial institution is doing for the region’s area revitalization.

(3) Actively Deliver Information to the Region and Users

Valued point

- At conferences for client enterprises, they provide detailed explanations about business conditions and their own initiatives etc., based on data
- They work actively on information delivery activities. For example, they have a “User Satisfaction Questionnaire” on their web site, and publish its results and improvement items.

Insufficient point

- Various initiatives are posted on the financial institution’s web site, but it is difficult to understand, and general users are unlikely to see it. If they hang posters in branches about their specific initiatives, wouldn’t it boost the awareness of general consumers?
- Bank employees who visit our company never gave us PR materials on their initiatives for region-based relationship banking.

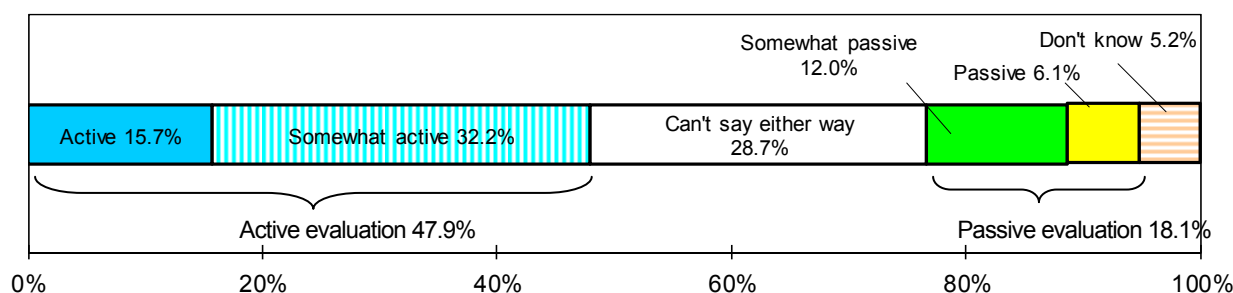
3. Evaluation of Financial Institution’s Initiatives (Multiple-choice Answers)

In addition to the open ended answers shown above, this survey used multiple choice questions to get evaluations of region-based relationship banking initiatives in regional financial institutions.

Survey Results

1. Approach to Region-based Relationship Banking Initiatives (Overall Evaluation)

Almost 50% gave an active evaluation to region-based relationship banking initiatives.

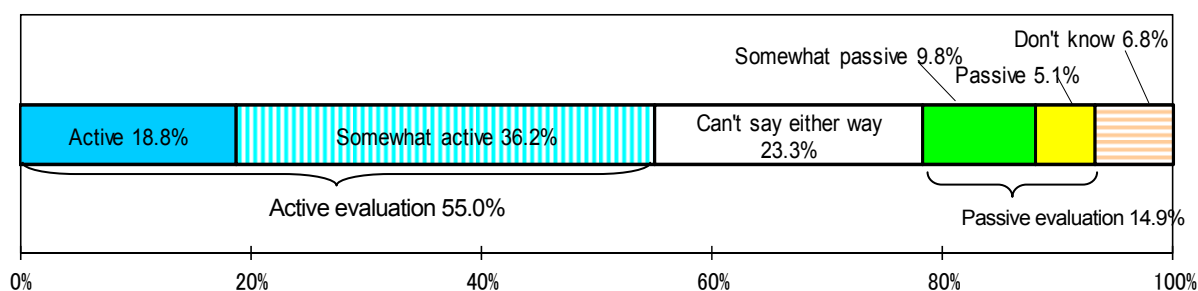


2. Wielding Consulting Function for Client Enterprises

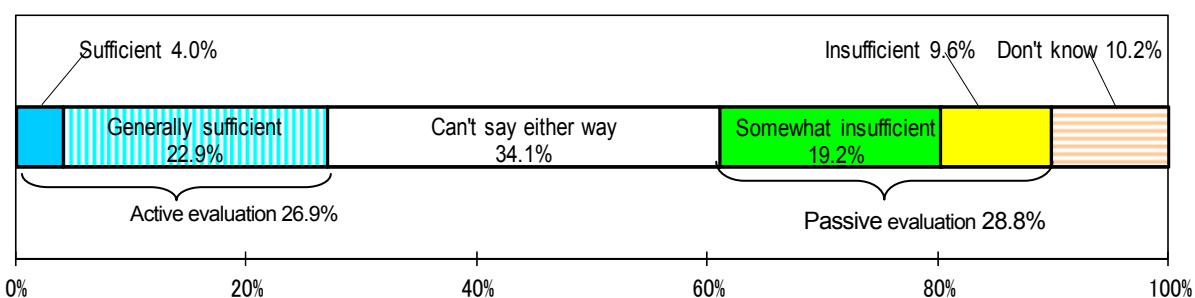
Regarding their “Approach to everyday and ongoing contact with client enterprises (visits to client enterprises, etc.),” over half gave active evaluations. Regarding “Ability to focus on business value of client enterprises and find and understand business issues (ability to discern the business potential of borrower companies),” active evaluations were fewer than passive evaluations.

Regarding the approach of regional financial institutions to each life stage of client enterprises, over 40% gave an active evaluation for “Support for customers in growth stage” and “Business improvement support;” about 20% gave an active evaluation for “Turnaround & Change in business activities” and “Business succession support.”

(1) Approach to everyday & ongoing contact with client enterprises (Visits to client enterprises, etc.)

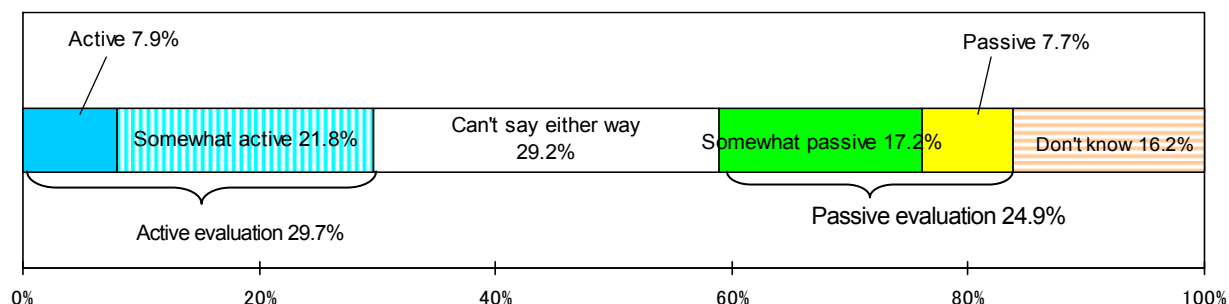


(2) Ability to focus on business value of client enterprises and find and understand business issues (ability to discern the business potential of borrower companies)

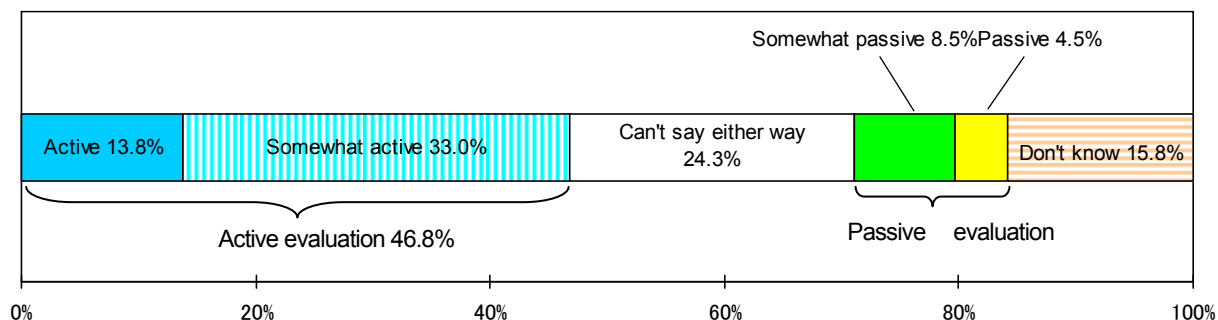


(3) Approach of regional financial institutions to each life stage of client enterprises

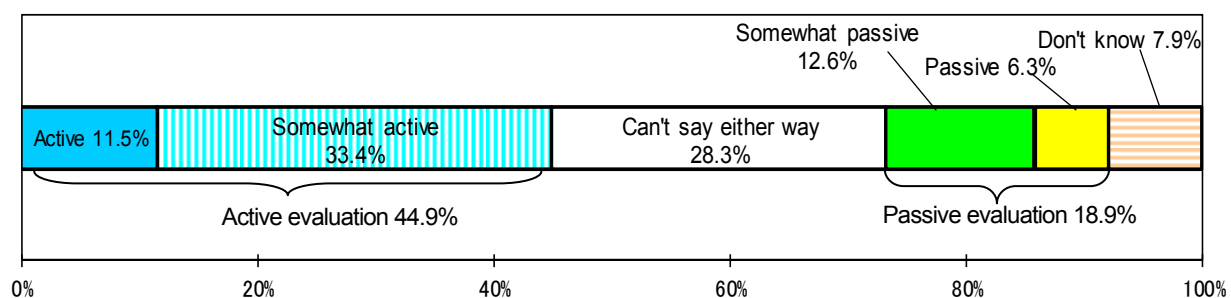
a. Support for startups and project development



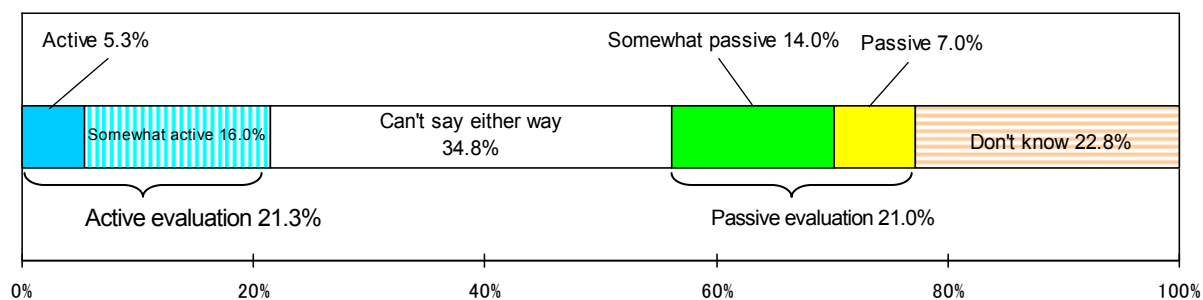
b. Support for customers in growth stage



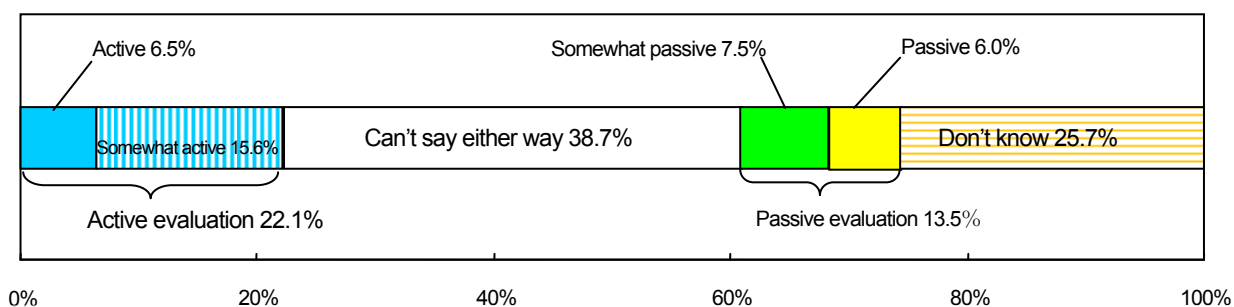
c. Business improvement support



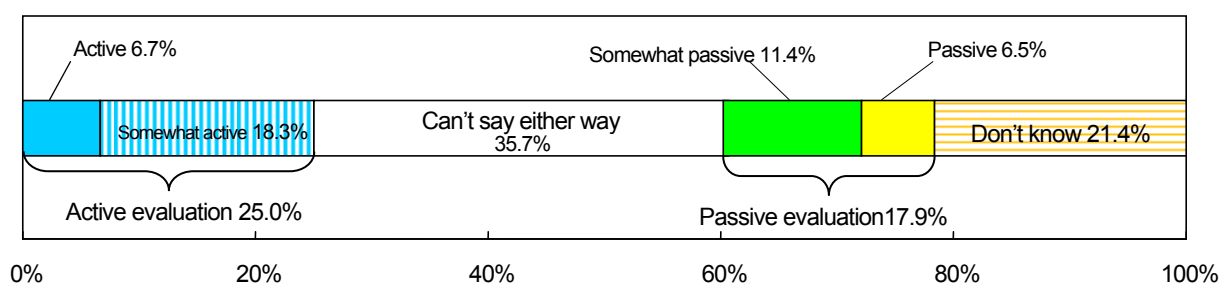
d. Turnaround & Change in business activities



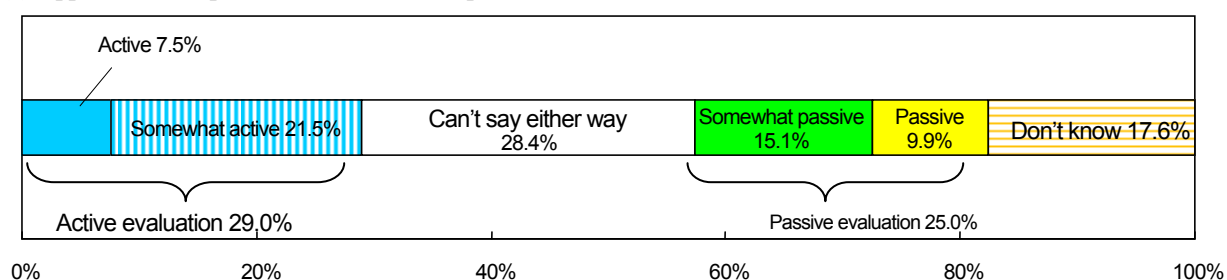
e. Business succession support



(4) Approach to monitoring after executing solution

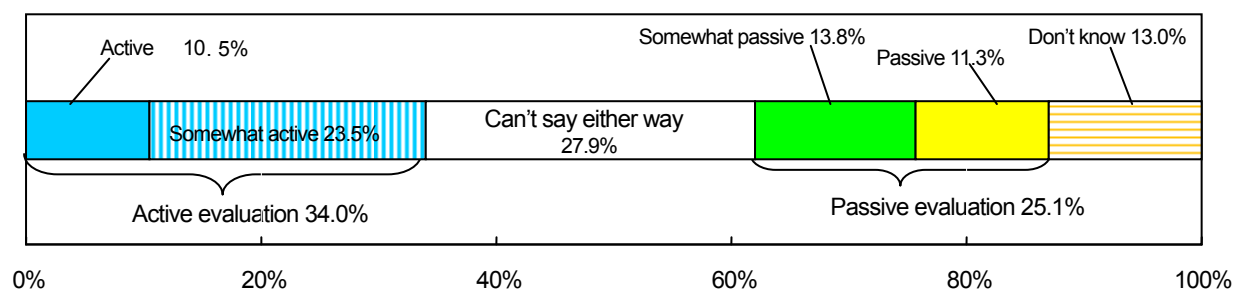


(5) Approach to cooperation with external experts and external institutions, etc.



3. Active participation in planning the region's area revitalization

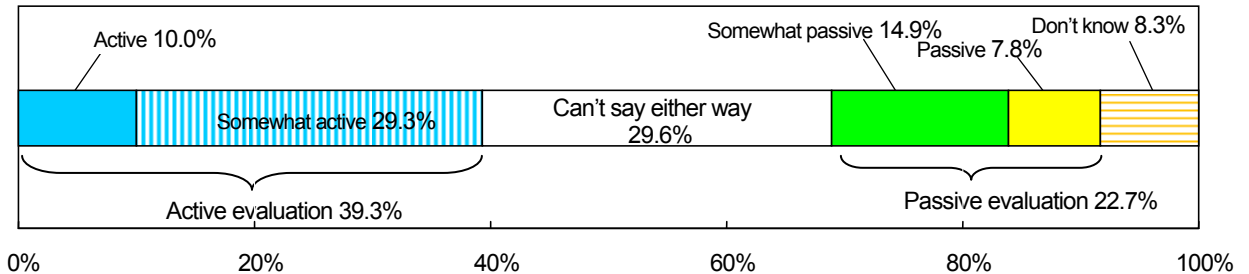
Over 30% gave an active evaluation regarding active participation in planning the region's area revitalization, but over 20% gave passive evaluations.



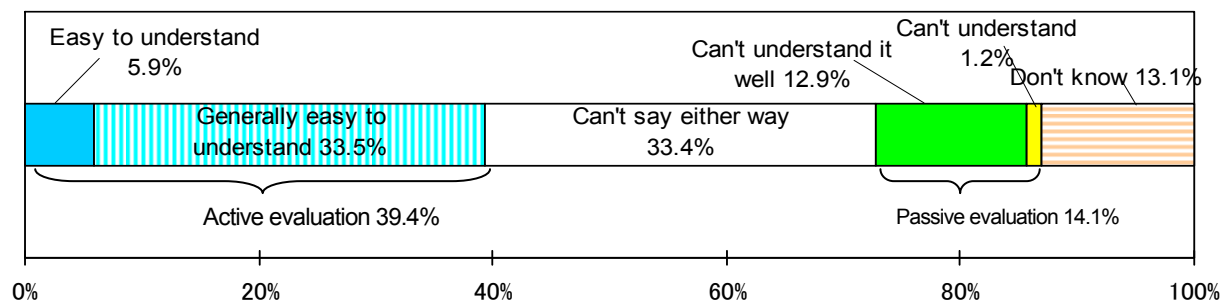
4. Active information delivery to the region and users

About 40% gave an active evaluation regarding approach to information delivery to the region and users, and for the content of information delivery. But over 20% gave a passive evaluation for their approach to information delivery.

(1) Approach to delivering information to the region and users



(2) Content of information delivery



4. Evaluation of Actions by the Authorities

In addition to evaluations of regional financial institutions, this survey received opinions on both valued points and insufficient points of measures the authorities are working on to encourage region-based relationship banking.

(Note) Measures of the Authorities

- Holding of symposiums where regional financial institutions explain their own region-based relationship banking initiatives, and local people involved discuss and evaluate them
- Giving awards to regional financial institutions which carry out especially leading initiatives and initiatives which should be widely practiced

(1) Results of Open-answer Evaluations

Valued point

- It is appropriate and valued that symposiums are used to try and widely inform people about region-based relationship banking initiatives. The award system is also effective for learning about initiatives of other financial institutions.
- Symposiums introduce initiatives of financial institutions outside the jurisdiction of each Local Finance Bureau, and we were able to compare these with initiatives of financial institutions in our jurisdiction, which was really useful.
- As a business manager, I am really encouraged by the use of this questionnaire survey etc. as opportunities to directly hear user opinions. I would like them to continue with such initiatives.
- In order to develop the regional economy, there are great expectations of consulting functions wielded by financial institutions. We also have hopes for the authorities' policy which places emphasis on this.

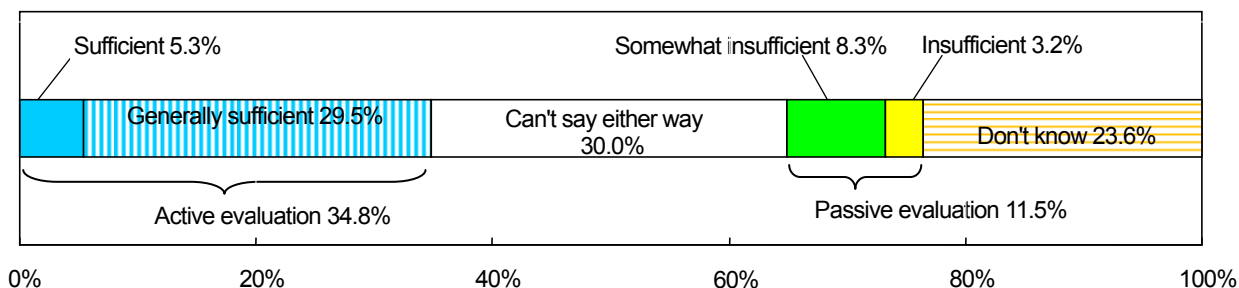
Insufficient point

- I have no idea when the symposium on region-based relationship banking is held, nor any of its content. It seems the authorities have insufficiently publicized it.
- It seems that initiatives such as holding symposiums and giving awards should be publicized in places where they catch people's eyes, like in the form of leaflets at chambers of commerce and industry, societies of commerce and industry, and municipal offices, or on posters, not just on the web sites of the FSA or Local Finance Bureau.

- In holding symposiums, I would like to see themes and content which general people find easy to participate in.
- It seems that too many symposium attendees are people from government institutions and support institutions, etc. I think they need to encourage more attendance by small and medium businesspeople, etc.
- In evaluations of region-based relationship banking initiatives, instead uniformly evaluating by the same standards, maybe it would be better if they enhanced mechanisms to evaluate according to the financial institution's size and characteristics.

(2) Results of Multiple-choice Evaluations

Over 30% gave an active evaluation to the authorities' actions.



* For details, please go to the FSA web site and access [“Outline of results of questionnaire survey on user evaluations of region-based relationship banking initiatives of regional financial institutions” \(July 29, 2011\)](#) from the Press Releases section. (Available in Japanese only)

“Financial Inspection Results Casebook” Published

The FSA published the “Financial Inspection Results Casebook (Second Half of 2010 Program Year Edition)” on July 1, 2011.

Since 2005, to enhance the transparency and predictability of financial regulation, the FSA considered the content and frequency of findings, and summarized and published examples which financial institutions can refer to for building appropriate management systems. (Note 1)

Also, in order to enhance and strengthen information delivery, timely publication of a casebook on financial inspection results is important. The FSA decided to publish the casebook twice this Program Year, as it did in the 2009 Program Year.

The main features of this casebook are as follows.

(1) More Cases

Effort was made to put more cases in the casebook than before (Note 2). In this casebook, the “Main Volume” has 25 ratings cases, and 279 individual cases. In its “Supplements,” there are 115 “New Forms of Banks” cases, 44 “Trust Operations” cases, and 22 “IT System Risk Management Systems” cases, making a total of 485 cases. Combining these with the previous edition's 173 cases brings the total to 658 cases for the full year (618 cases last year). This is the largest number of cases ever.

(2) Many Cases on Financial Facilitation Included

In order to have more firmly rooted consulting by financial institutions, based on implementation and extension of the Financial Facilitation Act (Note 3), the FSA is revising its inspection manual and supervisory guidelines, etc. This period's financial inspections also focus on examining consulting functions wielded by financial institutions (Note 4). The “Financial Facilitation Section” of this casebook also has many ratings cases (41), not only findings cases (19).

(3) Many Cases on Business Management Systems Included

In order to wield financial intermediary functions and accurately manage various risks, financial institutions' business management methods are decisively important. In this period's inspections, the FSA is focusing on

examining the rationality, sustainability and execution status of each financial institution's strategic goals and risk management policy. There are many cases (19) on these topics.

This casebook contains the following "Supplements": "New Forms of Banks," "Trust Operations" and "IT System Risk Management Systems." Amidst increasing diversification of financial institution business models, "New Forms of Banks" and "Trust Operations" are published as "Supplements" in this edition, because many cases that other financial institutions can refer to were accumulated. Considering the recent large IT system failures at some major banks, "IT System Risk Management Systems" provides cases of IT system investment strategy and contingency plan development, etc.

Also, with the Money Lending Business Act's full implementation (June 2010), money lenders are recently being inspected based on the new supervisory policy, and cases are being collected, so it was decided to include them in the new main casebook (Main Volume).

(Note 1) The examples are largely deposit-taking financial institution inspections for which results were notified from January to June 2011, and for other business forms with notifications from July 2010 to June 2011. However, "Supplements" include cases of past years as needed.

(Note 2) The "Efforts for Better Regulation in Financial Inspections (Action Plan II)" (published May 2009) set the goals of working for "more cases," and casebooks "published twice yearly."

(Note 3) Act concerning Temporary Measures to Facilitate Financing for SMEs, etc. (enforced December 4, 2009)

(Note 4) Refer to the Basic Policy for Financial Inspections in Program Year 2010

* For details, please go to the FSA website and access ["Financial Inspection Results Casebook" Published, etc. \(July 1, 2011\)](#) from the Press Releases section. (Available in Japanese only)

Also, for past casebooks, see the following press release materials: 2004 Program Year Edition (July 27, 2005), 2005 Program Year Edition (July 5, 2006), 2006 Program Year Edition (July 5, 2007), 2007 Program Year Edition (July 4, 2008), 2008 Program Year Edition (July 3, 2009), "Financial Inspection Findings Casebook for Financial Facilitation" (December 17, 2009), 2009 Program Year Edition (July 21, 2010), First Half of 2010 Program Year Edition (February 10, 2011).

Notices

● e-Gov Electronic Application System use (Available in Japanese only)

As an initiative to improve convenience and service for the people, for applications and notices of the Financial Services Agency, you can use the [e-Gov Electronic Application System](#) to send electronic applications and notices, etc. Please take advantage of it.

To see which applications and notices etc. can be processed in this system, please check [Search by List of Laws & Ordinances](#), on the page [Procedure Instructions for Applications & Notices, etc.](#)

To use this system, you must agree with the [e-Gov Electronic Application System Usage Agreement](#)

● Advantages of using the e-Gov Electronic Application System

Anytime

- You can do procedures 24 hours without time restrictions, even at night or on holidays.

Note: When this system requires maintenance, there can be times when the system stops working.

Anywhere

- You can do procedures via Internet at home, work, and even far away.

Note: For attached documents, when you must submit originals such as public institution certificates, you may have to send them separately by post, etc.

* For details on how to use the e-Gov Electronic Application System, see [Electronic Applications](#) on the [e-Gov home page](#).

● Is That Money-Making Scheme Safe?

Beware of fraudulent investment solicitation!

There have been frequent cases of fraudulent investment solicitation related to unlisted stocks and investment funds. Please watch out for such fraudulent investment solicitation.

Warning about transactions related to “unlisted stocks” and “privately placed bonds”

- Generally speaking, it is inconceivable that a broad range of investors will be solicited to make transactions related to unlisted stocks and privately placed bonds.
 - As solicitation for such investments may be an illegal act, investors should take care never to be involved in such transactions.

Warning about “investment funds”

- Under law, only business operators registered with the FSA (or a Local Finance Bureau) are permitted to solicit a broad range of investors to invest in investment funds.
 - As solicitation made by an unregistered business operator may be an illegal act, investors should take care never to be involved in such cases.

It is important to make a decision as to whether or not to actually make an investment based on an adequate understanding of the contents of the transaction. If there are any suspicious points, we advise you to act cautiously, such as by refraining from making the transaction.

- On the FSA web site, you can obtain more detailed information and check whether the business operator soliciting you is registered with the FSA (or a Local Finance Bureau).
- Please note that even if business operators are registered with the FSA (or a Local Finance Bureau):
 - their creditworthiness is not assured; and
 - they are prohibited from making solicitation by suggesting the principal is guaranteed or the transaction is sure to bring profits, for example.

When you have detected suspicious solicitation activity, be sure to contact the FSA’s Counseling Office for Financial Services Users.

- Counseling Office for Financial Services Users (Phone calls are accepted from 10 a.m. to 4 p.m. on weekdays.
Phone No. (Navi Dial Service number): 0570-016811
*Phone calls from an IP phone or a PHS phone are to be made to 03-5251-6811.
FAX: 03-3506-6699

- * For further details, please refer to the following FSA websites (available only in Japanese)
- [Watch Out for Suspicious Investment Solicitation, etc.](#)
- [List of licensed \(registered\) Financial Institutions](#)

● Protecting the markets with information received from the public!

The mission of the [Securities and Exchange Surveillance Commission \(SESC\)](http://www.fsa.go.jp/sesc/) is to ensure the fairness and transparency of Japan's markets and to protect investors, through exerting its authority of market surveillance, inspections of securities companies, administrative monetary penalties investigations, disclosure documents inspections and investigations of criminal cases.

The SESC receives a wide range of information from the general public via phone, mail, fax and the internet, relating to suspected misconducts in the market such as those below. Information received is effectively used as reference material in its investigations, inspections and other activities. During business year 2009, the SESC received 7,118 items of information.

Information on specific stocks

- Market manipulation (through “misegyoku” (false orders), short selling, etc.)
- Insider trading (selling off of stocks by a corporate insider prior to publication of material facts, etc.)
- Spreading of rumors (false rumors through posts to online bulletin boards or email magazines, etc.)
- Suspicious disclosure (annual securities reports, timely disclosure, etc.)
- Suspicious financing (fictitious capital increases, suspicious allottees, etc.)
- Problems of internal control for listed companies etc.

Information on financial instruments business operators, etc.

- Wrongful acts by securities companies, foreign exchange margin (FX) traders, management firms, investment advisories/agencies, etc. (inadequate explanation of risks, system-related problems, etc.)
- Problems related to business management systems or financial conditions (risk management, customer asset segregation, calculation of capital adequacy ratio, etc.) etc.

Other information

- Information on suspicious financial instruments, suspicious funds (fraudulent fund-raising schemes, etc.) or on unregistered business operators
- Information on market participants who are likely to impair the fairness of markets (so-called speculator groups, etc.) etc.

If you have any information like that described above, please be sure to submit it to the SESC. In addition to information on shares, the SESC also accepts a wide range of information on derivatives, bonds and other financial instruments. (Please note that the SESC does not accept individual requests for dispute resolution and inspections.)

To submit information via the internet, please access [the Securities Watch & Report Portal](https://www.fsa.go.jp/sesc/watch/) on the SESC website. (Available in Japanese only)



Poster calling on the general public to provide information

◆ SESC Securities Watch & Report Portal

Central Government Office Building No.7, 3-2-1 Kasumigaseki, Chiyoda-ku, Tokyo, JAPAN 100-8922

Direct line: +81 (3) 3581-9909

Fax: +81 (3) 5251-2136

<https://www.fsa.go.jp/sesc/watch/>

- **Subscribing to the Email Information Service (Japanese/English)**

The Financial Services Agency provides an **Email Information Service (Japanese and English)** through its website. If you register your email address on the Japanese subscription page, we will email you once a day with the latest information, such as the monthly publication, “Access FSA,” and daily press releases.

If you register on the English subscription page, we will email you once a day with the latest information, such as the “What’s New” information on the English website as well as the “FSA Newsletter.”

* To register in Japanese, please access [「新着情報メール配信サービス」](#), and to register in English, please access [Subscribing to E-mail Information Service](#).

- **Subscribing to the SESC Email Information Service**

The Securities and Exchange Surveillance Commission (SESC) provides an **Email Information Service (Japanese/English)** through its website. If you register your email address, we will email you with the latest information from the SESC website, such as recommendations relating to administrative action against financial instruments business operators and recommendations relating to orders for the payment of administrative monetary penalties.

* For further details and to register in Japanese, please access [「新着情報メール配信サービス」](#), and to register in English, please access [Subscribing to E-mail Information Service](#) on the SESC website.

- **Subscribing to the CPAAOB Email Information Service**

The Certified Public Accountants and Auditing Oversight Board (CPAAOB) provides an **Email Information Service (Japanese/English)** through its website. If you register your email address, we will email you with the latest information from the CPAAOB website.

* To register in Japanese, please access [「新着情報メール配信サービス」](#), and to register in English, please access [Subscribing to E-mail Information Service](#) on the CPAAOB website.

【Minister in His Own Words】

This section provides information regarding the hot topics of the moment, selected from questions and answers given at the Minister's press conferences, etc.

If you wish to find out more, we invite you to visit the "[Press Conferences](#)" section of the FSA website.

Q1: The Japanese Bankers Association announced the Guidelines of Workout for Restructuring Debt Owed by Individual Debtors last Friday (July 15). What problems do you think there are?

A1. As to the Guidelines of Workout for Restructuring Debt Owed by Individual Debtors, a study group comprising representatives from the financial industry, associations of small and medium-size enterprises (SMEs) and the legal and academic circles was established with the Japanese Bankers Association as its secretariat, in response to the government's announcement of its policy for dealing with the double loan problem on June 17. On July 15, the Guidelines of Workout for Restructuring Debt Owed by Individual Debtors was worked out after consultations among the relevant parties, as I understand it. I would like to pay respect to the relevant parties for their efforts to quickly work out the Guidelines. I believe that it is important that necessary preparations be made to ensure smooth application of the Guidelines.

The FSA hopes that the use of the Guidelines will facilitate the process of debt workout for individuals who cannot repay existing debts due to the impact of the Great East Japan Earthquake and will contribute to the rebuilding of lives and businesses by debtors through their self-help efforts and to the reconstruction and revitalization of the disaster areas.

Let me point out one thing. The secretariat, which is managed mainly by the Japanese Bankers Association, includes, as observers, representatives from the FSA, the Ministry of Economy, Trade and Industry, the Ministry of Agriculture, Forestry and Fisheries, the Ministry of Land, Infrastructure, Transport and Tourism, the Ministry of Health, Labour and Welfare, the Ministry of Justice, and the Ministry of Finance, among other government organizations.

[\[Extract from the press conference following the Cabinet meeting on July 19, 2011\]](#)

Q2: What is your assessment of the aid package for Greece?

A2. I understand that at a summit meeting of the euro zone countries on July 21, the Greek problem was discussed and an agreement was reached on the second public aid package for Greece that is worth some 109 billion euros and the expansion of the European Financial Stability Facility to enable the purchase of government bonds in the secondary market.

We expect that as an effort to resolve the European debt problem, this agreement will help to stabilize the market. I understand that efforts to achieve financial stability will be continued by relevant authorities including the governments of the countries adopting the euro, and the FSA will continue to carefully monitor the situation.

[\[Extract from the press conference following the Cabinet meeting on July 22, 2011\]](#)



Press Releases in July

July 1	Access	“Revised Money Lending Act Follow-up Team”: Interview with related people (June 27)
	Access	“Opinion paper on revision of semi-annual auditing standards and quarterly review standards” published
	Access	General Meeting of the Business Accounting Council and the Planning Coordination Subcommittee program
	Access	“Financial Inspection Results Casebook” published, etc.
	Access	Addition of “Q&A on Tender Offers for Shares, etc.”
	Access	Execution status report on business revitalization plans
July 5	Access	“Draft Partial Revision of Notices on Capital Adequacy Ratios of Financial Instruments Business Operators, etc.” published
July 6	Access	Revision of Measures to Prevent Negative Effects related to Insurance Solicitation by Banks, etc.
July 7	Access	Action against an audit firm and certified public accountants
July 8	Access	“Draft Cabinet Office Ordinance for Partial Revision of the Order for Enforcement of the Insurance Business Act”, etc. published
	Access	Administrative action against PBA Asset Management Co., Ltd.
	Access	Comprehensive Inspection of IT System Risks in Financial Institutions
	Access	“Draft Cabinet Office Ordinance for Partial Revision of the Regulation for Calculation of Investment Trust Assets, etc.”, etc. - Results of public comments, etc.
July 11	Access	Financial System Council “Working Group on Insider Trading Regulation” (1st) Program
	Access	Draft related Cabinet Orders and Cabinet Office Ordinances to accompany enforcement of the “Act for Partial Revision of the Act on Special Measures to Strengthen Financial Functions to Enhance the Business Foundations of Financial Institutions in Response to the Great East Japan Earthquake, and of the Act on Special Measures for Promotion of Organizational Restructuring of Financial Institutions”, etc. published
	Access	Draft partial revision of the “Comprehensive Guidelines for the Supervision of Regional Financial Institutions” published
July 14	Access	“Proposal of Project Team on Specific Uses of Payments to the Deposit Insurance Corporation” by the “Project Team on Issues Surrounding Payments to Deposit Insurance Corporation Stipulated in the Act on Furikome Fraud Relief” published, and solicitation of opinions on the project team proposal
	Access	Draft Partial revisions of “Comprehensive Guidelines for the Supervision of Major Banks, etc.” and “Comprehensive Guidelines for the Supervision of Regional Financial Institutions”, etc. (Review of customs such as individual guarantors by third parties other than managers) – Results of public comments, etc.
July 15	Access	Administrative action against ShinTokyoCity Securities Co., Ltd.
	Access	“Draft Cabinet Office Ordinance for Partial Revision of the Cabinet office ordinance on Audit Attestation of Financial Statements”, etc. – Results of public comments, etc.
	Access	“Draft Cabinet Office Ordinance for Partial Revision of the Ordinance for Enforcement of the Banking Act, etc.” published
July 19	Access	Disciplinary action against CPA (1)
	Access	Disciplinary action against CPA (2)
	Access	“Children Visitors Day” notice
	Access	Actual Insurance Payouts and Mutual Aid Payouts related to the Great East Japan Earthquake
July 20	Access	Decision on penalty payment order for insider trading by a recipient of information from a person who concluded a contract with JO Group Holdings Co., Ltd.
July 21	Access	Consultative documents on Systemically Important Financial Institutions (SIFIs) published by the Financial

July 22		Stability Board and Basel Committee on Banking Supervision
	Access	Status of handling counterfeit ATM card problems, etc. (March 31, 2011)
	Access	Status of crime involving counterfeit ATM cards, etc.
	Access	Decision on penalty payment order for insider trading by a recipient of information from a person who concluded a contract with a subsidiary of OX Holdings Co., Ltd. (1)
July 26	Access	Decision on penalty payment order for insider trading by a recipient of information from a person who concluded a contract with a subsidiary of OX Holdings Co., Ltd. (2)
	Access	Situation of changes in lending conditions based on the Act concerning Temporary Measures to Facilitate Financing for SMEs, etc.
	Access	“Draft Cabinet Office Ordinance for Partial Revision of the Ordinance for Enforcement of Money Lending Business Act,” etc. – Results of public comments, etc.
	Access	Draft Partial Revision of “Comprehensive Guidelines for the Supervision of Regional Financial Institutions” – Results of public comments, etc.
July 28	Access	Draft related Cabinet Orders and Cabinet Office Ordinances to accompany enforcement of the “Act for Partial Revision of the Act on Special Measures to Strengthen Financial Functions to Enhance the Business Foundations of Financial Institutions in Response to the Great East Japan Earthquake, and the Act on Special Measures for Promotion of Organizational Restructuring of Financial Institutions”, etc. – Results of public comments, etc.
	Access	Working Group on Regulatory Approach to Group Management of Insurance Companies (2nd) program
July 29	Access	2nd Financial System Council “Working Group on Medium and Long Term Approach of Japan’s Financial Industry” program
	Access	Status of counseling etc. provided by the “Counseling Office for Financial Services Users” (period: April 1 to June 30, 2011)
	Access	“Draft Cabinet Office Ordinance for Partial Revision of the Cabinet Office Ordinance on Financial Instruments and Exchange Business” published
	Access	Results of solicitation of opinions on the FY2012 Tax System Revisions Request
	Access	“Draft Cabinet Office Ordinance for Partial Revision of the Cabinet Office Ordinance on Disclosure of Information, etc. on Specified Securities” – Results of public comments, etc.
	Access	Decision on penalty payment order for insider trading by a recipient of information from a Tsuzuki Denki Co., Ltd. employee
	Access	Number of cases in information provided concerning improper use of deposit accounts
	Access	Money lending business related documents updated
	Access	Outline of results of questionnaire survey on user evaluations of region-based relationship banking initiatives of regional financial institutions
	Access	“Draft Cabinet Office Ordinance for Partial Revision of the Cabinet Office Ordinance Relating to Definitions Prescribed in Article 2 of the Financial Instruments and Exchange Act, and of the Cabinet Office Ordinance on Regulation of Trading of Securities” – Results of public comments, etc.

Access	is a link to the publication web page.
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Web Pages Most Accessed in July

This section shows the July Press Releases web pages which were accessed the most.

To see the web pages most accessed in the past, go to the FSA web site’s [Web pages most accessed \(past data, etc.\)](#)

(Available in Japanese only)

- [Financial institutions being inspected by FSA](#)

- [List of licensed \(registered\) financial institutions](#)
- [Financial Facilitation Measures for Small and Medium-sized Enterprises](#)
- [“Financial Inspection Results Casebook” published](#)
- [Action against an audit firm and certified public accountants](#)
- [Comprehensive inspection of IT system risks in financial institutions](#)
- [Revision of measures to prevent negative effects related to insurance solicitation by banks, etc.](#)
- [“Study on Application of IFRS” June 21, 2011, Minister for Financial Services Shozaburo Jimi](#)
- [Joint Meeting of the Planning Coordination Subcommittee and General Meeting of the Business Accounting Council](#)
- [Status of response to the recent earthquake by the FSA, Local Finance Bureaus and Finance](#)