Financial Countermeasures against Natural Disasters

Japan’s response to the Great East Japan Earthquake

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Ikko Nakatsuka
Minister of State for Financial Services
Financial Services Agency, Japan
Outline

- Phase 1
  “Immediate response to the disaster”

- Phase 2
  “Support for rehabilitation and reconstruction”

- Lessons for the future
  “Importance of disseminating information quickly”
Phase 1 Immediate response to the disaster

Measures taken by the FSA on March 11 (the day of the earthquake)

- A “Disaster Management Team” was established.
- Joint Requests by Minister for financial services and the Governor of the Bank of Japan were made to financial institutions.

⇒ Banks

- Open on holidays
- Flexible procedures to identify depositors
- Suspending the dishonoring of drafts and checks that could not be processed due to the disaster etc.
Phase 1 Immediate response to the disaster

⇒ Insurance companies

- Expedited Claim Handling
  --- Aerial/Satellite Photos
  were used to decide the degree of damage of properties in affected areas, without on the spot surveys.

- Prompt payments
  Insurance companies paid JPY 1,140 bn by the end of July 2011. (estimated total: JPY 1,170 bn)

- Earthquake Insurance System
  Government payments: JPY 560 bn
  Private sector payments: JPY 670 bn

- Rikuzentakata City -

Before (aerial photography)

After (satellite photography)

Note: A Photo from the GIAJ
Phase 1 Immediate response to the disaster

- Measures implemented on the financial institutions’ own initiative
  - Allowing the people evacuating away from home to make withdrawals at over 100 banks without deposit certifications.

- Announcement to ensure financial stability
  - On Sunday, March 13\textsuperscript{th}, one day before the first opening of the markets after the earthquake, the Minister for Financial Services issued a statement announcing that trading in the financial markets would go on as usual from the following day (Monday).
Phase 2  Support for Rehabilitation and Reconstruction

➢ Securing financing for the affected people to rebuild their lives and businesses

“The double debt( = Existing debts + New debts) problem”

⇒ Individual Debtor Guideline for Out-of-Court Workouts in July 2011

⇒ The Support Organization for Companies Damaged by the Great East Japan Earthquake in February 2012
Phase 2  Support for Rehabilitation and Reconstruction

- Strengthening regional financial functions and providing depositors with a sense of security
  - Revision of the Act on Special Measures for Strengthening Financial Functions
  - Capital injection into financial institutions in the affected areas (JPY 231 bn injected into 12 banks)
Lessons for the future

- Crucial to reach out to the affected people and quickly disseminate information about financial countermeasures

- The FSA took the following actions:

  ⇒ Disseminating information through radio, newspapers and leaflets in the areas with no electricity

  ⇒ Sending staff members from the FSA’s local offices to the shelters in areas with no access to the media

  ⇒ Cooperating with local governments and the Chamber of Commerce to provide information to the people doing business in the affected areas.