FSA Newsletter November 2006

Minister Yamamoto received a courtesy call from Ed Balls, Economic Secretary to the HM treasury (November 6)

Minister Yamamoto, Senior Vice Minister Watanabe and Parliamentary Secretary Tamura went over the Tokyo Stock Exchange (November 20)

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【Topics】

New Minister, Senior Vice Minister and Parliamentary Secretary for Financial Services

On Tuesday, September 26, 2006, Diet Member Shinzo Abe became the 90th Prime Minister of Japan and in the afternoon of that day, Diet Member Yuji Yamamoto assumed the post of Minister of State for Financial Services and for the "Challenge Again" Initiative.

Mr. Yamamoto, the Minister for Financial Services and for the "Challenge Again" Initiative, gave the following speech in his inaugural address at the Office of the Prime Minister:

"A policy of "Challenge Again," to which Prime Minister and LDP President Abe made a public commitment during his election campaign, is a policy that had already been put together in its interim form in May of this year. He expressed this commitment by saying that he wants me to strive for the creation of a society wherein anyone who tries will be rewarded and, even if one fails, one can try again and again. I am eager to engage myself sincerely in this initiative by joining hands with the respective ministers who have a part in it.

In the area of financial services of which I am now also in charge, I am committed to working hard on, and playing a leading role in, ensuring user protection, developing fair and transparent market functions and maintaining the credit order, which are the very purposes of the financial administration. Given the current need to store up vitality as we move away from a period of stability, I have a particularly strong wish to solve the multiple debt problem etc., the most serious hindrance to the implementation of the “Challenge Again” initiative. In wrapping up my speech today, I would like to seek your kind support in my tasks ahead."

After subsequently attending the imperial appointment ceremony and attestation ceremony held in the Imperial Palace, Minister Yamamoto attended a cabinet meeting. He then came to the Central Common Government Offices No. 4, in which the Financial Services Agency is located, to start his first day in office and presented himself for a post-cabinet-meeting ministerial interview.

On the next day, on Wednesday, September 27, the succession procedure was conducted between Minister Yamamoto and former-Minister Yosano in the Minister's office; in the afternoon of that day, Senior Vice Minister Yoshimi Watanabe (for Economic and Fiscal Policy, Financial Services and the "Challenge Again" Initiative) and Parliamentary Secretary Kotaro Tamura (for Economic and Fiscal Policy, Financial Services and the "Challenge Again" Initiative) arrived to start their first day in office.

The first press conference by Minister Yamamoto (September 26)

Working Group on the Selection of an Acquiring Party for Ashikaga Bank

Since the so-called Subparagraph 3 proceedings (temporary nationalization) were undertaken in relation to Ashikaga Bank on November 29, 2003 under the provisions of Article 102 of the Deposit Insurance Law following a deliberation by the Financial Crisis Response Committee, a variety of efforts have been made in the bank in the form of fundamental management reforms etc.

Recognizing that these efforts have steadily been bearing fruit, the Financial Services Agency (FSA) has decided to begin a specific examination as to which bank will take over Ashikaga Bank.

In selecting an acquiring bank, we intend to base our examination on the following three basic criteria:

- Sustainability as a financial institution
- Exerting functions of financial intermediation in the region
- Minimizing the public spending burden

The selection process will be carried out as follows:

First Stage: Propose that basic terms be required of the acqiring bank to solicit candidates (by announcing of public bidding details), and select candidates from which to request the submission of a business plan

Second Stage: Request the candidates selected during the first stage to submit a business plan to be implemented after the assumption of Ashikaga Bank. Forward the details of the plan to shortlist candidates from which the submission of terms of transfer, etc. are to be requested.

Third Stage: Request the candidates shortlisted at the second stage to submit terms of transfer as well as a business plan, with necessary revisions made, upon properly evaluating the corporate value of the Ashikaga Bank. Make a final decision on the assuming bank selection by examining the details of these submissions.

We have chosen to organize a body called "Working Group on the Choosing on Acquiring Party for Ashikaga Bank" (Chair: Tsutomu Muramoto, Professor, Seijo University), a private advisory panel to the Commissioner of the Financial Services Agency, as a venue to receive advice from external experts given from expert points of view and seek inputs from the community as we proceed with the action items described above.

Since its first meeting on Tuesday, September 5, the Working Group has thus far met three times, during which the governor of Tochigi Prefecture was invited, with the Minister for Financial Services present, to explain the community's views and requests etc. on the subject of selection of the acquiring party for Ashikaga Bank, and the Group also discussed basic terms to be required of a prospective assuming bank for public bidding purposes.

The FSA aspires to make every effort to select an appropriate acquiring bank so that Ashikaga Bank will be able to secure trust from users in the region of and around Tochigi Prefecture and exert its financial intermediation functions in a sustainable fashion.

Governor Fukuda of Tochigi Prefecture submits to Minister Yamamoto a request concerning the Ashikaga Bank assumption. (October 16)

Measures Taken by the FSA against North Korea

○ Following the unanimous adoption of a resolution by the United Nations Security Council on July 16 of this year, which contains a requirement of preventing the transfer of any financial resources in relation to North Korea's missile or weapons of mass destruction (WMD) programmes, the Japanese government responded by having cabinet consent on September 19 to the introduction of the "Measures for the Prevention of the Transfer of Financial Resources, etc. in Relation to North Korea's Missile or WMD Programmes," thereby taking actions including the prevention of the transfer of financial resources under the Foreign Exchange and Foreign Trade Control Law ("Foreign Exchange Law"), to be initiated against parties involved in North Korea's missile or WMD programmes who have been designated as being subject to the measures for the prevention of financial resources transfer (15 organizations and one individual).

○ In accordance with the introduction of the above measures, the Financial Services Agency (FSA) has requested that financial institutions strictly fulfill customer identification obligations, and ensure that they report "suspicious transactions" under the Anti-Organized Crime Law.

○ In addition, another cabinet consensus was reached on October 11 in regards to measures pertaining to North Korea's recent nuclear test, including an import ban against North Korea, which subsequently led to the development on October 13 of the "Emergency Interim Action Package Associated with the Import Ban Against North Korea." On the same day, the FSA accordingly made the following threefold request to organizations concerned, including the Japanese Bankers Association:

(i) Make widely known the contents of said package.

(ii) Request any parties who will be impacted by the import ban against North Korea to make appropriate efforts according to the actual circumstance, such as loan facilitation and debt moratorium for affected cases

(iii) Make sure that the organizations concerned follow up on these actions in an appropriate fashion

○ In addition to the three items above, the FSA requested in the same document, in the light of the cabinet decision of September 19, to continue taking firm action on customer identification and their obligation to report suspicious transactions.

○ On October 17, in connection with these actions, the FSA also told Local Finance Bureaus to follow up on and provide (i) an overview of the status of preparedness of each financial institution and (ii) the record of loan facilitation and debt moratorium efforts.

As the government is in the process of examining what actions it should take following the adoption of a U.N. resolution on sanctions against North Korea, the FSA is committed to paying continued attention to any future international efforts against North Korea and actions of financial institutions in Japan and taking appropriate measures as required.

Publication of the pamphlet, the New Legislative Framework for Investor Protection - Financial Instruments and Exchange Law -

The law for amending the Securities and Exchange Law and other financial laws and the law for abolishing and amending the related laws to implement the law for amending the Securities and Exchange Law and other financial laws were enacted during the previous ordinary session of the Diet and were then promulgated on June 14, 2006.

These legislative amendments cover a wide range of subjects abolishing four laws and amending 89 laws. In order to provide an easy-to-understand explanation in the form of an overview of these legislative amendments, the Financial Services Agency (FSA) had produced a pamphlet entitled "New Legislative Framework for Investor Protection."

The 'Financial Instruments and Exchange Law' is explained in the pamphlet with the use of diagrams and illustrations by classifying it broadly into the following four themes:

(1) Establishing a cross-sectional legislative framework for user protection covering a wide range of financial products with strong investment characteristics (the so-called legal framework for investment services)
(2) Enhancing disclosure requirements
(3) Ensuring appropriate management of self-regulatory operations by exchanges
(4) Strict countermeasures against unfair trading

The pamphlet is distributed through Local Finance Bureaus and Local Finance Offices nationwide and is also posted on the FSA's homepage. In addition, an English version is posted on the FSA's English site. We hope that this will serve as a useful reference.

* Please also refer to the "Overview of 'Financial Instruments and Exchange Law,'" a special three-part series published in the August/September, October and this issues of the FSA Newsletter, respectively.

【Featured】

Overview of "Financial Instruments and Exchange Law" (Part 3)

The law for amending the Securities and Exchange Law and other financial laws (2006 Law No.65) and the law for abolishing and amending the related laws to implement the law for amending the Securities and Exchange Law and other financial laws (2006 Law No.66) were promulgated on June 14, following the approval and passage of the respective bills at the 164th Diet session held on June 7, 2006.
More specifically, the legislations can broadly be divided into the following four basic elements:

(1) Development of a cross-sectoral legal system to protect investors regarding financial instruments with strong investment characteristics (legal system based on so-called "Investment Services Law");
(2) Enhancement of the disclosure system;
(3) Reinforcement of self-regulatory functions of stock exchanges; and
(4) Strict approach to unfair trading, etc.

Parts 1 and 2 reviewed "1. Building a cross-sectoral legal system to protect investors regarding financial instruments with strong investment characteristics (legislation "Investment Services Law")". This part reviews **"other revised provisions"**.

* The Securities and Exchange Law and the Financial Instruments and Exchange Law are hereinafter referred to as "SEL" and "FIEL", respectively.

(2) Enhancement of Disclosure System

1) Enhancing of Disclosure by Listed Companies, etc.

The latest legislations involve the following revisions of the disclosure requirements of corporate information for the purpose of ensuring the timely, speedy and proper disclosure of financial and corporate information.

a) Statutory Quarterly Reporting System

The system of quarterly disclosure—which is currently based on self regulations of stock exchanges—will become a statutory system, and listed companies, etc. will be obliged to submit a "quarterly report". The quality report will be subject to audits conducted by Certified Public Accountants (CPAs) and auditing firms (Article 24-4-7 and Article 193-2 of FIEL). Submission of the false quarterly reports will be subject to criminal or civil money penalties.

b) Enhancing Internal Control over Financial Reporting

- In order to ensure appropriate disclosure of financial and corporate information, "internal control reports" which provide an evaluation of the validity of internal control of financial reporting for each fiscal year will become a mandatory requirement for listed companies and will be subject to audits by certified public accountants or auditing firms (Article 24-4-4 and Article 193-2).
- Listed companies, etc. will be obliged to submit "certification" by management stating that descriptions in the securities report, quarterly reports, etc. are appropriate and in compliance with the FIEL and related regulations (Article 24-4-2 and Article 24-4-8, etc.).

2) Reviewing the Tender Offer System

The "tender offer (TOB) system" is a system that ensures transparency and fairness in stock transactions that may affect the management rights of a company. Specifically, by imposing duties to disclose information including offer periods, volume and prices to companies intending to conduct large volume off-exchange purchases of stock, a fair opportunity for shareholders of the target company to sell such stock is ensured.
In conjunction with the dramatic increase in corporate mergers and acquisitions (M&A) and the diversification of M&A methods in recent years, the number of cases of TOB—which is one of the means of M&A—is rising. Under these circumstances, the TOB system has been reviewed in this legislative revision as exemplified below.

a**) Taking Measures against Law-evading Transactions and Ensuring Fairness amongst Bidders**

Even if the number of buyers is extremely small (no more than 10 bidders within 60 days), TOB must be performed in cases where the shareholding accounts for more than one-third of all outstanding shares purchased outside of the stock exchange	⇒	- It will be made clear that aggressive buying involving transactions executed on and/or off the market that will result in shareholdings of one third or more will be subject to regulations on tender offers. - If a party with shareholding of more than one third of the target company's shares begins a rapid buy-up while a tender offer of another party is in place, the former is obliged to make a tender offer also. (paragraphs 1-4 and 1-5 of Article 27-2 of FIEL (amended SEL))

b) Partial Introduction of Obligation to Buy All Stocks

- In order to protect shareholders in cases where the shares are delisted, etc. after TOB, if a purchase will result in shareholdings of two thirds or more, offering companies are obliged to buy all of the tender offered shares. (paragraph 4 of Article 27-13 (matters of government ordinance))

c) Enhancing Provision of Information to Investors

- The targeted company will be obliged to submit a "position statement report". The targeted company may ask questions to the bidder in the "position statement report".
- If the targeted company asks a question to the bidder in the "position statement report", the bidder is obliged to submit a "response to questions". (paragraphs 1, 2 and 11 of Article 27-10)

d) Extending the TOB Period

The period for tender offers is set between 20 and 60 days (on a calendar date basis) by the offering company.	⇒	- The TOB period is due to be changed to business day basis, i.e., between 20 and 60 business days. (matters of government ordinance) - Bearing in mind that it may be necessary to make a counterproposal and give shareholders enough time to carefully think about it, the TOB period will be extended to 30 business days (matters of government ordinance) upon the targeted company's request if the original TOB period is short. (paragraphs 2 and 3 of Article 27-10)

e) Flexible Approach to Withdrawal of TOB, etc.

If target companies take countermeasures against the takeover, offering companies may withdraw tender offers or reduce offering prices. (paragraph 1-1 of Article 27-6 and paragraph 1 of Article 27-11 (matters of government ordinance))

3) Reviewing the reporting system for Large Shareholdings

"The reporting system for large shareholdings" is a system to promptly disclose the status of large shareholdings to investors. Specifically, for example, if total shareholdings in a listed company reach above 5%, the shareholder must submit a "report on large shareholdings" within 5 business days from the date of the purchase. However, a special reporting system with a lower frequency of reporting is applied to institutional investors who are engaged in trading large volumes of shares, etc. in their daily business activities, considering the administrative workload associated with it and other such factors.

The latest legislations involve the revision of the reporting system for large shareholders as exemplified below, in response to the increasing number of cases in which purchases of shares in large volumes do not lead to M&A in recent years.

a) Reviewing Special Reporting System

In order to enhance transparency for investors, the reporting deadline, frequency, etc. will be reviewed.

If holding of listed shares, etc. reach above 5% of all outstanding shares		
A report must be provided "once every three months by the 15th of the following month"	⇒	A report must be provided "roughly every two weeks (on every base date at least twice a month) within 5 business days". (paragraphs 1 through 3 of Article 27-26 of FIEL (amended SEL))

b) Obligation to Submit Electrical Reports on Large Shareholdings

Submission of electrical reports on large shareholdings will become mandatory, aimed at making the information available to the public promptly via EDINET (Electronic Disclosure for Investors' NETwork). (Paragraph 30-2 of Article 27 of FIEL)

(3) Enhancement of Self-regulatory Functions of Stock Exchanges

Stock exchanges are allowed to be demutualized pursuant to the revision of the Securities and Exchange Law in 2000. There have been suggestions that an incorporated stock exchange is required to ensure the independence of the organization in charge of self-regulatory functions from other operations, due to the risk of conflict of interest arising between its "profitability" as a joint stock company and its "self-regulatory operation" aimed at ensuring fairness and transparency of transactions on the exchange. On the other hand, in discussions about the concrete organizational structure, there have been suggestions that attention needs to be paid to take finely-tuned action in accordance with the market circumstances.

The latest legislations develop the following systems in consideration of such discussions.

a) Self-regulatory Operations

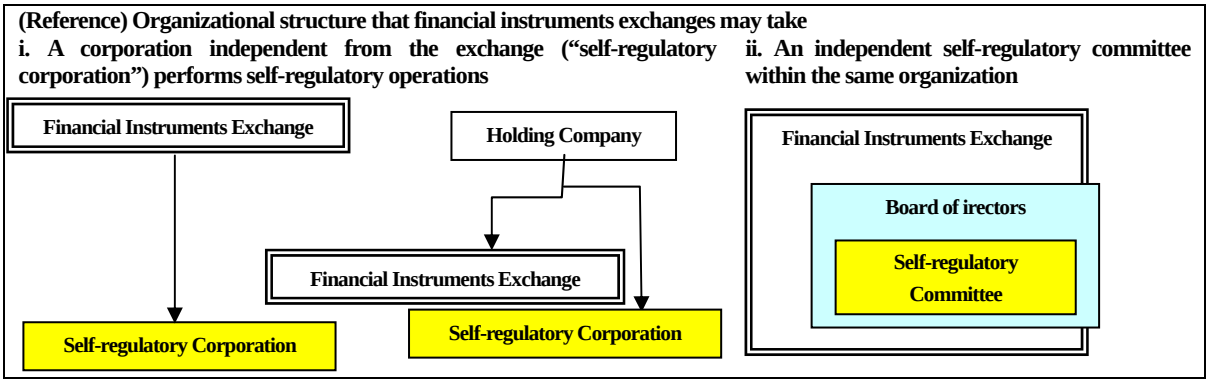
Financial instruments exchanges will be required to properly engage in "self-regulatory operations" (such as operations concerning listing or delisting, and examination on the compliance of market participants) to enhance the quality of services provided by the exchanges (Article 84 of FIEL).

b) Self-regulatory Corporations and Self-regulatory Committees

- Financial instruments exchanges will be able to outsource all or part of their self-regulatory operations to a "self-regulatory corporation" (Article 102-2) with the Prime Minister's approval (Article 85). The majority of board members of the self-regulatory corporation must be outside board members (paragraph 3 of Article 102-23).
- An incorporated exchange will be able to establish a "self-regulatory committee" that determines matters relating to its self-regulatory operations (Article 105-4). The majority of members of the self-regulatory committee must be outside directors (paragraph 1 of Article 105-5).

(Note) Whether to adopt such organizational structures or not is at the discretion of each exchange. However, if an financial instruments exchange wishes to be listed on its own exchange or another exchange, it must obtain the Prime Minister's approval (Articles 122 and 124), in which case the framework to properly run the self-regulatory operations is also deemed to be subject to screening.

(Reference) Organizational structure that financial instruments exchanges may take



(4) Strict Approach to Unfair Trading, etc.

1) Increase in maximum criminal penalty

In response to the series of scandals involving some listed companies recently, the statutory penalties under penal provisions of the Securities and Exchange Law have been strengthened as exemplified below, in order to enhance user protection, secure fairness and transparency in transactions and establish public confidence in the markets.

- Submission of false registration statement regarding material information - General unfair trading, spreading of rumors, resorting to deceptive devices, market manipulation	- Maximum imprisonment of 5 years or maximum fine of ¥5 million or both - Maximum fine of ¥500 million imposed on both company and employees	⇒	- Maximum imprisonment of 10 years or maximum fine of ¥10 million or both - maximum fine of ¥700 million (paragraph 1 of Article 197 and paragraph 1-1 of Article 207 of FIEL (amended SEL))
- Non-submission of registration statement - Insider trading, etc.	- Imprisonment maximum 3 years or maximum fine of ¥3 million or both - Maximum fine of ¥300 million imposed		- Imprisonment maximum 5 years or maximum fine of ¥5 million or both - Maximum fine of ¥500 million (Article 197-2 and paragraph 1-2 of Article 207)

2) Countermeasures against "misegyoku"

"Misegyoku", a means of market manipulation, is a trading order with intention of canceling immediately.

Among the acts corresponding to "misegyoku", the act of applying to buy/sell shares by a customer is currently subject to criminal punishment on the grounds of being an act of market manipulation. The latest legislations involve the following revision aimed at ensuring the effectiveness of regulations on unfair trading, in consideration of the proposal made by the Securities and Exchange Surveillance Commission (SESC) dated November 29, 2005.

- The act of applying to buy/sell shares by a customer is subject to fines on the grounds of being an act of market manipulation (paragraph 1 of Article 174 of FIEL (revised SEL)).
- The act of applying to buy/sell shares by a securities company as a part of self-dealing activities is also subject to criminal punishment and fines on the grounds of being an act of market manipulation (paragraphs 2-1 and 3 of Article 159 and paragraph 1 of Article 174).

	Criminal Penalty	**Civil Money Penalty**
Customer	○	×→○ (Applicable after the revision)
Securities firms (trading as a part of self-dealing activities)	×→○ (Applicable after the revision)	×→○ (Applicable after the revision)

● **Effective dates of legislation**

The effective dates of the amendments are as follows.

- Increased penalties and countermeasures against "misegyoku" (referred to in (4)), etc.	20 days after the promulgation of the legislations (July 4, 2006)
- Review of the tender offer rules (referred to in (2) 2)) - Review of the reporting system for large shareholdings (partial)	The date to be designated by cabinet order not exceeding 6 months after the promulgation
- Reviewing the reporting system for large shareholdings (lower reporting frequency and deadline of special reports and obligation to submit electronic report) (referred to in (2) 3))	The date to be designated by cabinet order not exceeding 12 months after the promulgation
- Establishment of so-called Investment Services Law (referred to in (1)) - Enhancement of independence of self-regulatory functions of exchanges (referred to in (3))	The date to be designated by cabinet order not exceeding 18 months after the promulgation
- Statutory quarterly disclosure and enhancement of internal control over financial reports, etc. (referred to in (2) 1))	Same as above * Applied to fiscal years starting on and after April 1, 2008

Amendments of the Enforcement Ordinances and Orders of the Customer Identification Law

1. Customer Identification Law

The Customer Identification Law[1] is a law that requires financial institutions to conduct an identification procedure etc. of a customer upon the opening of a deposit account or in the case of a transaction of a large sum, *i.e.*, exceeding 2 million yen. It was legislated in April 2002 and came into force as of January 2003.

Against the backdrop of these amendments were demands from the international community to address the growing need to combat money laundering in the wake of the 2001 9-11 terrorist attacks in the United States and the increasing number of drug- and gun-related crimes etc.

2. Purposes of the Amendments

The FATF (Financial Action Task Force on Money Laundering), an intergovernmental body whose mission is to fight money laundering and terrorism financing, developed a set of "Special Recommendations on Terrorist Financing" in 2001, one of whose recommendations was the Special Recommendation VII on "Wire transfers," which recommends FATF member countries to strengthen, by the end of 2006, customer identification measures in wire transfers exceeding 1,000 U.S. dollars or 1,000 Euros.

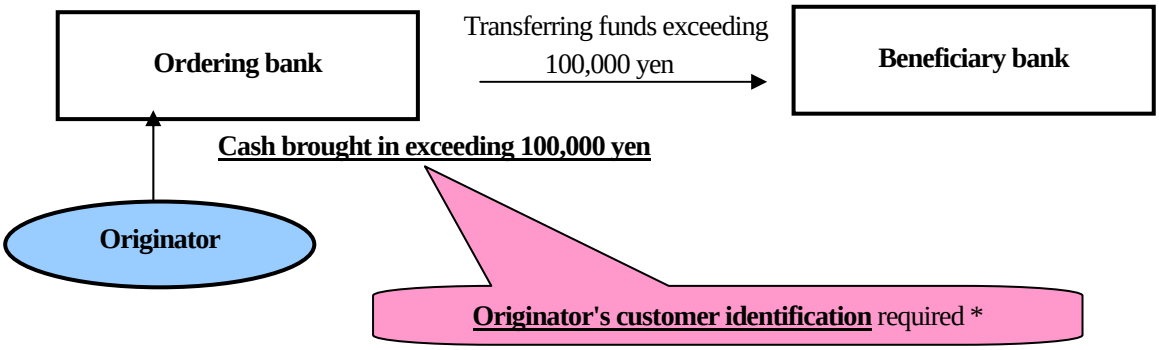
As part of Japan's actions to implement the Recommendation above, necessary amendments were made recently to the Enforcement Ordinance of the Customer Identification Law and the Enforcement Regulation of the Customer Identification Law (promulgated on September 22 of this year with a view to being enacted on January 4, 2007).

As a result of these amendments, financial institutions will, on and after January 4, 2007, be required to conduct identification procedures, etc. for any customer who makes a cash transfer exceeding 100,000 yen etc.

3. Procedures in the Case of Transfer Exceeding 100,000 Yen

On and after January 4, 2007, when the amendments take effect, customers will need to present a piece of ID, such as a driver's license, health insurance certificate or passport, at the teller's counter of a financial institution to transfer funds initiated with cash exceeding 100,000 yen. It should be noted that transferring funds initiated with cash exceeding 100,000 yen will no longer be allowed at ATMs.

On the other hand, non-cash transfers from one deposit account to another will still be permitted in the same fashion as in the past, whether at an ATM or a teller's counter (if, however, customer identification procedures at the time of account opening have not been completed, transfers may not be allowed without the presentation of ID).



* To transfer funds from the remitter's own deposit account, customer identification is, as a general rule, not required.

[1] Law on Customer Identification and Retention of Records by Financial Institutions, and Prevention of Fraudulent Use of Deposit Accounts

○ **IDs to be requested for presentation:**

For individuals:	Driver's license, Health Insurance Certificate, National Pension Handbook, passport, Maternal and Child Health Handbook, Physically Disabled Persons' Certificate, Foreign Resident Registration Card, Basic Resident Register Card (indicating the name, address and date of birth) etc.
For corporations:	Certificate on Registered Matter, etc.

4. Conclusion

The FSA is determined to make steady efforts in publicity and outreach activities, such as poster distribution and publication in newspapers and magazines, so that the new scheme should work smoothly. We have also advised financial institutions to develop a structure necessary to, among other actions, prevent any confusion at service counters and we will also thoroughly monitor its implementation progress in the future.

While the new scheme may cause some inconvenience for users, the establishment of this scheme will make it possible to prevent illegitimate funds transfers via financial institutions and, even if such illegitimate funds transfers are conducted, to subsequently monitor them through checking and tracking.

We would like to ask our citizens for their understanding and cooperation in regards to the recent amendments, which we have made to address international demands, to the cause of combating money laundering and terrorist financing.

【Hot Picks from the Financial World】

* We deliver the hottest information of the times in this section, selected from among 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 Financial Services Agency's website.

[Non-payment of insurance claims]

Q. The Financial Services Agency (FSA) is currently instructing non-life insurance companies to report the state of non-payment of insurance claims. Their reports are due to be filed at the end of this month, but it seems certain that they will again report a large number of new non-payment cases. What is your impression of this situation? Also, what are the causes of this situation, and what is FSA's policy to deal with it?

A. the formal reports are yet to be made. If additional non-payments are identified, we will scrutinize and check the content of the reports, examine the governance framework, payment management framework and other such frameworks in detail, and properly deal with the situation, including taking administrative action, depending not only on how many non-payment cases there are but also on the nature of the facts.

(from the press conference following a cabinet meeting on Friday, September 29, 2006)

Q. Do you think that unintentional non-payments are acceptable and intentional non-payments are more malicious, considering that the payment of insurance claims is a fundamental task for insurance companies?

A. As to whether it is intentional or not, the burden of proof probably lies with the insurance company. As I just stated, in general terms and in the present-day context, the burden of proof should lie with the company in cases where a consumer incurred some kind of damage, even if it was unintentional, in view of products that cannot easily be determined by consumers due to their increasing complexity.

(from the press conference following a cabinet meeting on Friday, September 29, 2006)

[North Korea]

Q. What kind of action will the Financial Services Agency (FSA) take from here onwards?

A. In response to these measures, the FSA will encourage financial institutions to establish inquiry counters and the like for loans, etc. to domestic companies, especially with respect to operations involving trade with North Korea, so that there will be no management concerns, and will prompt private financial institutions to make efforts in regards to what related financial institutions can do based on discussions with government-affiliated financial institutions, etc. to the greatest extent possible.

(from the press conference following a cabinet meeting on Friday, October 13, 2006)

[Selection of an acquiring party of Ashikaga Bank]

Q. What is your perception of the governor of Tochigi Prefecture's requests about the selection of the acquirer of Ashikaga Bank?

A. The governor, the chairperson of the prefectural assembly, the head of the special committee and elected members of the House of Councillors and the House of Representatives engaged in the request campaign extremely enthusiastically—even Diet members who could not turn up in person either passed on their messages or reported that they would be absent. Many of them expressed their expectations for sustained and sufficient financial intermediation functions in the region, and their enthusiasm was impressive.

(from the press conference following a cabinet meeting on Tuesday, October 17, 2006)

[Others]

Q. The Bank of Fukuoka is going to effectively take over Kyushu-Shinwa Holdings according to some press reports. What is FSA's response to this?

A. Although I cannot comment on individual banks, generally speaking, regional banks should make decisions based on their respective management efforts. In particular, business confidence varies from region to region, so they should exert further efforts in their financial intermediation functions.

(from the press conference following a cabinet meeting on Friday, October 13, 2006)

Q. Sumitomo Mitsui Financial Group announced that it has finished paying back all public funds today, meaning that all so-called mega-banks have completed paying back public funds. What are your thoughts on this?

A. This is a monumental, delightful milestone towards our goal. We hope banks will gain vigor and further improve their international competitiveness and their credibility among customers, to establish a sound financial market.

(from the press conference following a cabinet meeting on Tuesday, October 17, 2006)