



# FSA Newsletter No. 86 2010

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



**Minister Jimi visits USA  
(with Fed Chairman Bernanke (right))  
(August 18)**



**Children Visitors Day "Let's go to FSA!"  
(in Senior Vice Minister's office)  
(August 18)**

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## Photo Gallery

\* Provides photos and information on meetings, etc. attended by the Minister, Senior Vice Minister and Parliamentary Secretary.



Minister Jimi (center front) visits Tokyo Stock Exchange (TSE) – with TSE President & CEO Atsushi Saito (right front), etc. – (July 27)



Senior Vice Minister Otsuka Greeting at the Tax Commission (July 30)

## International Related

### Visits to USA & China by Shozaburo Jimi, Minister for Financial Services

#### ● USA Visit

Minister for Financial Services Shozaburo Jimi visited the U.S. for six days starting August 16. There, he met with Fed Chairman Bernanke, Treasury Under Secretary Brainard, Presidential Economic Advisor Volker, etc. In these meetings, they exchanged frank opinions on the effects of financial system reform on the macro economy and financial intermediary functions, financial and economic conditions, etc.



Meeting with Treasury Under Secretary Brainard (right)

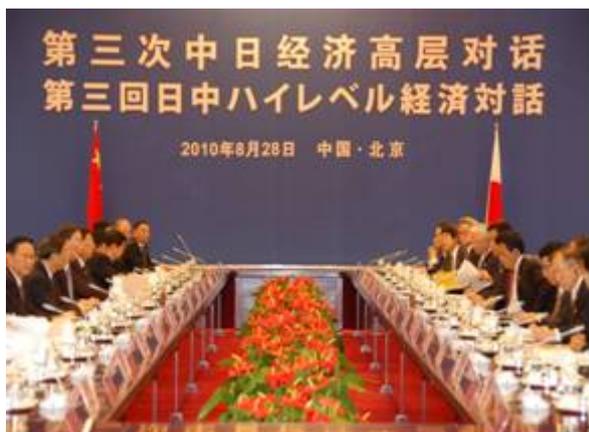


Meeting with Presidential Economic Advisor Volker (right)

## ● China Visit

Minister for Financial Services Shozaburo Jimi visited China for seven days starting August 27. There, he attended the Third China-Japan High Level Economic Dialogue, and met with Premier Wen Jiabao. He also held discussions with supervisory authorities for the banking, securities and insurance sectors, such as People's Bank of China Governor Zhou Xiaochuan.

In particular, in the meeting with Premier Wen Jiabao, from the perspective of further promoting China-Japan mutual cooperation in the financial sector, in order to facilitate further support by Japanese financial institutions for capital raising by Chinese companies, he requested flexible deposit and loan ratio regulations for Japanese financial institutions. Premier Wen Jiabao etc. gave the reply that funds required by Japanese companies in China would definitely be assured.



Third China-Japan High Level Economic Dialogue



Wen Jiabao, Premier of the People's Republic of China (right) shakes hands with Minister Jimi in meeting

## Featured

**Press release “The Group of Governors and Heads of Supervision reach broad agreement on Basel Committee capital and liquidity reform package”  
announced by the Group of Governors and Heads of Supervision**

The Group of Governors and Heads of Supervision is the oversight body of the Basel Committee on Banking Supervision (Basel Committee). On July 26, it announced a press release on the regulatory reform under study in the Basel Committee.

### 1. Background and History

On December 17, the Basel Committee announced a package of regulatory reform proposals related to internationally active banks as a consultative document. This regulatory reform package was agreed on at the G20 London Summit last April, and reconfirmed at the Pittsburg Summit in September. This is a draft of international rules which improve both quality and quantity of bank capital, hold down excess leverage, and determine liquidity standards.

After last December's announcement of the regulatory reform package, the Basel Committee did a Quantitative Impact Study (QIS) on the degree of impacts on individual banks, based on data collected from each country's banks. To analyze impacts on entire economies, it also did economic impact assessment using a macroeconomic model. Based on these studies, the Basel Committee considered the many comments provided by each country until April 16

this year regarding the consultative document, and proceeded to investigate revisions to the regulatory reform package. This press release by the Group of Governors and Heads of Supervision announced the design of regulations on which broad agreement was reached as a result of this investigation.

## 2. Points of Broad Agreement by Group of Governors and Heads of Supervision (July 26)

- Improved quality of capital (definition of capital)

Clarified that the core portion of capital should only be comprised of common shares and retained earnings (capital with strongest loss absorbency) (in principle, deducts deferred tax assets, intangible fixed assets, etc.).

→ Under this agreement, corresponding to each country's conditions, partial exceptions are allowed for the following deduction items.

	Draft regulations last December	Revised draft this July
Deferred tax assets	Entire amount deducted from capital	Items based on temporary differences between accounting and taxation are included up to 10% of core Tier 1 portion <sup>(note)</sup>
Intangible fixed assets	Entire amount deducted from capital	Corrects unequal treatments due to differences in accounting standards
Minority interests	Excluded from capital	Included up to minimum required capital of bank subsidiaries

Note: Deferred tax assets, important investments in common stock of other financial institutions, etc are totaled and included up to 15% of core Tier 1.

- Introduction of Leverage Ratio Regulations (Capital/Total Assets)

The leverage ratio regulations aim to complement the risk basis capital adequacy requirements.

→ Under this agreement, it was decided to pass through a transition period, and while keeping in view the transition to treatment under Pillar 1, do final adjustment of indices and levels in the first half of 2017. During this transition period, based on an index with capital (the numerator) for Tier 1, and total assets (denominator) with a low credit conversion factor applied to part of the off-balance sheet items, it will be tested whether the 3% level functions as a complementary index.

- Introduction of Liquidity Regulations (Liquidity Coverage Ratio, Net Stable Funding Ratio)

The liquidity coverage ratio seeks the maintenance of liquid assets which are able to handle a 30 day period of harsh liquidity stress.

→ This agreement lowers the retail deposit outflow ratio, expands the definition of qualified liquidity assets, etc.

The net stable funding ratio seeks stability of the capital raising side corresponding to the degree of liquidity risk of invested assets

→ Under this agreement, an observation period is established for this ratio, which is to be finalized by January 2018.

## 3. Future Plans

The Basel Committee and Group of Governors and Heads of Supervision will continue to discuss the details of the regulatory reform package. The results of these studies are to be announced at the G20 Seoul Summit planned for November this year, and the plan is to put together the final regulatory reforms package by the end of this year.

\* For details, please go to the FSA's web site and access [July 27, 2010: Press release "The Group of Governors and Heads of Supervision reach broad agreement on Basel Committee capital and liquidity reform package" announced by the Group of Governors and Heads of Supervision](#) at the "International Related Information" section. (Available in Japanese only)

## Topics

### Money Lending Consultation Desk Established

Aiming to resolve the multiple debt problem, the Amended Money Lending Business Act which "lowers the maximum interest rate" and "introduces total quantity regulations to prevent excess borrowing and excess lending" etc was passed unanimously in December, 2006.

This act came into force in stages over a 3.5 year period, and was completely in force on June 18 this year.

After it was completely in force, the "Amended Money Lending Business Act Follow-up Team" was established on June 22, in order to facilitate enforcement of the Amended Money Lending Business Act, and to study prompt and appropriate responses as needed.

This "Follow-up team" is the first pillar in measures to promote "thorough awareness of the system concerning the Amended Money Lending Business Act." It is working to make this system widely known, including by expanding and extending to the end of August the "Borrowers, Beware' Campaign," which was scheduled to end at the end of June this year.

As part of these initiatives, the FSA established the "Money Lending Consultation Desk" on July 23, as a contact point for consultations, etc. regarding the Amended Money Lending Business Act. The "Money Lending Consultation Desk" handles inquiries about the Amended Money Lending Business Act, like

- Interest rates fell due to the amendment of the Money Lending Business Act, but does this apply to borrowings contracted on or before June 18?
- I was asked to submit my annual income certificate. If I don't submit it, then will I be unable to get loans?

and consultations about borrowing from money lending businesses.

If you have questions, need consultation, etc., please contact the Money Lending Consultation Desk (below).

In cooperation with related institutions etc, the FSA will continue its work to enhance and improve consultations, to make the system thoroughly known, and to understand the actual status.

Name	:	"Money Lending Consultation Desk"
Began	:	July 26, 2010
Period open	:	Until December 28, 2010
Hours	:	Weekdays 10:00 – 18:00
Tel	:	0570-001127
		*From an IP tel or PHS, dial 03-3506-7229.
Service	:	Consultation etc on Amended Money Lending Business Act

\* For details, please go to the FSA's web site and access [“Money Lending Consultation Desk opened” \(July 23, 2010\)](#) at the “Press Releases” section. (Available in Japanese only)

## Situation of Relationship-based Local Banking Initiatives in FY2009

Regarding relationship-based local banking by regional financial institutions, the FSA puts together a summary once each year on results of initiatives, evaluations by users etc.

The situation of relationship-based local banking initiatives in FY2009 was summarized and published on July 23. An outline is provided below.

This covered at total 537 financial institutions (as of publication date): 106 regional banks (including Saitama Resona Bank), 272 shinkin banks and 159 credit unions.

### 1. Results of Efforts by Regional Financial Institutions

For the results and effects of each financial institution's efforts, the following shows major trends based on each financial institution's announcements and summaries by industry associations.

#### (1) Further Strengthening of Support for Client Companies Corresponding to their Lifecycle

##### (i) Support for Establishment and New Business

The number of financings concerning support for establishment and new business grew since the previous fiscal year. Use of company development funds decreased since the previous fiscal year.

(units: Number, 100 million yen)

		FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009
<b>Financing to support establishment and new business (*)</b>								
Regional financial institutions	No.	1,948	2,817	5,449	6,983	14,048	13,879	15,004
	Value	179	250	603	742	1,791	1,662	1,703
Regional banks	No.	737	846	2,379	3,088	6,532	6,522	7,270
	Value	85	102	241	323	823	810	877
Shinkins, Credit unions	No.	1,211	1,971	3,070	3,895	7,516	7,357	7,734
	Value	94	147	361	418	967	851	826
<b>Investments in company development funds</b>								
Regional financial institutions		94	153	241	196	175	200	51
Regional banks		79	128	186	147	125	163	21
Shinkins, Credit unions		14	25	55	49	50	37	30
<b>Amount of company support funds used (Company development support via funds which the financial institution invested in)</b>								
Regional financial institutions		—	—	—	—	—	90	65
Regional banks		—	—	—	—	—	77	58
Shinkins, Credit unions		—	—	—	—	—	12	6

(\*) Before FY2007, this was “Financing by products to support establishment etc.” Since FY2007, in addition to the results of dedicated financial products, this includes results of support by usual finance, therefore it cannot be simply compared with previous fiscal years.

(ii) Management Improvement Support

The percent upgraded among recipients of management improvement support efforts was lower than the previous fiscal year. The number of business matching contracts was higher than the previous fiscal year.

(units: %, number)

	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009
<b>% upgraded among recipients of management improvement support efforts (excluding normal customers)</b>							
Regional financial institutions	16.0	18.4	16.5	13.7	11.5	17.4	9.3
Regional banks	15.2	18.2	15.9	14.2	11.4	18.0	11.0
Shinkins, credit unions	17.1	18.8	17.1	13.2	11.6	16.9	7.6
<b>Number of business matching contracts</b>							
Regional financial institutions	6,228	10,428	15,954	24,000	27,396	29,531	32,988
Regional banks	5,741	8,997	13,152	19,542	21,462	23,729	26,965
Shinkins, Credit unions	487	1,431	2,802	4,458	5,934	5,802	6,023

## (iii) Business Revitalization Support

There was an increase over the previous fiscal year in the number of customers supported in cooperation with Small and Medium-size Enterprise Revitalization Support Councils, which reached the point of creating a revitalization plan, and in the number of customers supported by the financial institution itself, which reached the point of creating a revitalization plan. The number of cases of support decided on by The Resolution and Collection Corporation decreased from the previous fiscal year.

The number of Debt-Debt Swaps (DDS) and Debt-Equity Swaps (DES) were higher than the previous fiscal year. On the other hand, use of corporate revitalization funds decreased from the previous fiscal year.

(units: number, 100 million yen)

		FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009
<b>Customers supported in cooperation with Small and Medium-size Enterprise Revitalization Support Councils, which reached point of creating revitalization plan</b>								
Regional financial institutions	No.	201	302	380	391	319	329	479
	Value	2,305	3,422	3,572	2,803	2,092	2,230	3,817
Regional banks	No.	133	210	284	270	204	198	331
	Value	1,691	2,933	3,101	2,311	1,496	1,498	2,678
Shinkins, Credit unions	No.	68	92	96	121	115	131	148
	Value	613	488	470	492	595	731	1,139
<b>Customers supported by financial institution itself, which reached point of creating revitalization plan</b>								
Regional financial institutions	No.					8,495	14,637	19,083
	Value	—	—	—	—	34,198	49,441	60,186
Regional banks	No.					4,297	6,082	7,986
	Value	—	—	—	—	25,085	31,586	38,857
Shinkins, Credit unions	No.					4,198	8,555	11,097
	Value	—	—	—	—	9,113	17,854	21,328
<b>Number of companies which The Resolution and Collection Corporation decided to support</b>								
Regional financial institutions	No.	3	10		38	35	20	16
	Value	608	631	942	1,176	694	554	501
Regional banks	No.	2	10	20	35	27	19	11
	Value	606	631	914	1,154	615	541	404
Shinkins, Credit unions	No.	1	0	2	3	8	1	5
	Value	2	0	28	21	79	13	96

(units: number, 100 million yen)

		FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009
<b>DDS</b>								
Regional financial institutions	No.	7	57	64	51	24	49	100
	Value	56	281	257	166	96	238	298
Regional banks	No.	6	38	42	37	17	34	71
	Value	55	216	164	142	76	197	240
Shinkins, Credit unions	No.	1	19	22	14	7	15	29
	Value	1	64	93	23	19	41	58
<b>DES</b>								
Regional financial institutions	No.	29	33	24	34	13	21	37
	Value	175	261	191	256	50	203	158
Regional banks	No.	27	26	22	29	12	20	31
	Value	173	242	186	249	49	202	149
Shinkins, Credit unions	No.	2	7	2	5	1	1	6
	Value	1	19	5	7	1	1	9
<b>Amount invested in corporate revitalization funds</b>								
Regional financial institutions		109	168	169	162	115	77	75
Regional banks		106	157	145	143	104	69	70
Shinkins, Credit unions		2	11	24	18	11	8	5
<b>Amount of corporate revitalization funds used (corporate revitalization support via a fund the financial institution invests in)</b>								
Regional financial institutions		–	–	–	–	–	200	121
Regional banks		–	–	–	–	–	188	102
Shinkins, Credit unions		–	–	–	–	–	11	18

## (iv) Business Takeover Support

The number of M&A support cases related to business takeovers supported was lower than the previous year.

(unit: number)

	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009
<b>Number of M&amp;A for business takeover supported</b>							
Regional financial institutions	–	–	–	–	129	156	142
Regional banks	–	–	–	–	100	124	111
Shinkins, Credit unions	–	–	–	–	29	32	31

(2) Thorough use of Fund Provision Techniques Suitable for Small and Medium-Sized Enterprises, such as Financing Techniques which Focus on Business Value

## (i) Efforts for Financing which does not Excessively Rely on Real Estate Collateral nor Individual Guarantees, etc.

There was a decrease from the previous year in the number of movables/credits transfer

collateral financing, and in financings using financial covenants.

(unit: number, 100 million yen)

		FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009
<b>Movables/credits transfer collateral financings</b>								
Regional financial institutions	No.	10,098	19,000	23,585	18,260	13,530	11,006	6,785
	Value	1,102	1,737	1,998	2,029	1,856	1,886	1,800
Regional banks	No.	6,473	11,169	11,857	7,547	6,747	6,009	3,902
	Value	788	1,263	1,307	1,265	1,205	1,312	1,332
Shinkins, Credit unions	No.	3,625	7,831	11,728	10,713	6,783	4,997	2,883
	Value	313	474	690	763	650	573	468
<b>Of these, movables collateral financings</b>								
Regional financial institutions	No.			27	153	517	1,387	1,239
	Value	—	—	47	131	358	585	617
Regional banks	No.			18	118	351	986	1,000
	Value	—	—	36	118	303	499	555
Shinkins, Credit unions	No.			9	35	166	401	239
	Value	—	—	11	12	54	86	62
<b>Finance by product utilizing financial covenants</b>								
Regional financial institutions	No.	550	3,279	4,322	4,018	4,362	5,154	4,596
	Value	313	944	1,995	2,335	4,835	7,044	7,771
Regional banks	No.	474	1,153	1,834	1,681	2,525	3,242	3,155
	Value	278	833	1,500	1,784	3,930	6,192	7,173
Shinkins, Credit unions	No.	76	2,126	2,488	2,337	1,837	1,912	1,441
	Value	35	111	494	551	905	851	598

(ii) Exhibit Ability to Accurately Evaluate the Potential and Technical Abilities of a Company, Efforts for Human Resources Development

Each financial institution is exhibiting and enhancing its evaluation abilities, such as by establishing a department dedicated to the training of human resources, or a support desk centered on holders of specialized qualifications.

(3) Contributions to Sustainable Local Economies using Local Information Gathering

(i) Efforts for Simultaneous Integrated Comprehensive Revitalization, Focused on Stimulation of the Entire Region and Sustainable Growth

The number of PFI projects increased from the previous fiscal year.

(units: number, 100 million yen)

		FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009
<b>PFI projects</b>								
Regional financial institutions	No.	22	49	71	116	89	101	107
	Value	187	409	326	625	562	701	638
Regional banks	No.	20	37	54	88	59	68	64
	Value	179	368	258	552	492	587	480
Shinkins, Credit unions	No.	2	12	17	28	30	33	43
	Value	8	40	67	72	70	114	158

(ii) Provision of Diverse Services which lead to Local Revitalization

The number of financings for NPOs etc increased from the previous fiscal year.

(units: number, 100 million yen)

		FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009
<b>Financing for NPOs etc which engage in community business</b>								
Regional financial institutions	No.					351	396	473
	Value	—	—	—	—	61	64	49
Regional banks	No.					104	171	217
	Value	—	—	—	—	20	17	19
Shinkins, Credit unions	No.					247	225	256
	Value	—	—	—	—	41	46	30

## 2. Evaluations by Practitioners of Financial Institutions

According to results of a survey questionnaire given to practitioners of financial institutions, in evaluation of efforts for each policy, the number evaluated as “meeting user expectations” exceed those “not meeting user expectations,” except for business takeover support.

“Accurately understand user needs” is given as a major reason for meeting user expectations, but on the other hand, “Insufficient understanding of user needs” comprises a significant percent of replies giving a reason for not meeting expectations for some items.

Also, “Use of and cooperation with external institutions etc are functioning effectively” is given as a major reason for meeting user expectations. On the other hand, “Lack internal specialized know-how and human resources” is the most commonly raised reason for not meeting expectations. Thus we see that insufficient internal specialized know-how and human resources are sometimes supplemented by using external institutions.

Regarding the effects of relationship-based local banking on management of regional financial institutions, there are different aspects depending on the policy, but in addition to direct effects such as stronger credit risk management by continual monitoring of debtors’ financial situations etc, and debtor classification upgrades by customers’ business improvements etc, they also value the appearance of indirect effects such as enhanced screening abilities of staff and enhanced trust in relationships with customers and the community.

### Summary of Results of Survey Questionnaires Given to Practitioners of Financial Institutions (Survey in May 2010)

(unit: %)

	Meeting user expectations	Not meeting user expectations
Establishment and new business support	71.1	25.7
Management improvement support	87.3	10.5
Business revitalization support	68.2	26.2
Business takeover support	44.1	47.1
Finance which does not excessively rely on collateral nor guarantees, etc.	85.6	12.4
Exhibit ability to accurately evaluate the potential and technical abilities of companies	59.9	35.7
Human resource development	68.6	27.6
Comprehensive revitalization focused on revitalization of the entire region	58.9	33.5
Provision of diverse services leading to regional revitalization	77.4	18.8

## 3. Evaluations by Users, etc.

According to results of a questionnaire survey on evaluations by users etc, regarding overall efforts for relationship-based local banking, about 50% continue to be evaluated as active (total of

“Great progress” and “Progress”).

Also, regarding individual policies, small but increasing percentages give an active evaluation for business revitalization support, business takeover support, exhibit ability to accurately evaluate the potential and technical abilities of companies, etc.

For some individual policies, many users replied “Don’t know” whether efforts of financial institutions are progressing.

Summary of results of questionnaire survey on evaluations by users etc.  
(Survey in February-March, 2010)

(unit: %)

	Evaluated as active	Evaluated as passive	Don't know
Overall efforts for relationship-based local banking	51.1	29.6	19.3
Establishment and new business support	33.9	36.1	30.0
Management improvement support	41.9	33.2	24.9
Business revitalization support	20.4	34.9	44.7
Business takeover support	22.9	32.5	44.7
Finance which does not excessively rely on collateral nor guarantees, etc.	29.8	47.4	22.8
Exhibit ability to accurately evaluate the potential and technical abilities of companies	20.9	49.1	30.0
Human resource development	26.2	34.6	39.2
Comprehensive revitalization focused on revitalization of the entire region	28.2	36.5	35.3
Provision of diverse services leading to regional revitalization	31.9	40.7	27.4

#### 4. Future Challenges

- (1) Looking at the situation of efforts by regional financial institutions in FY2009, overall results were produced via various efforts such as management improvement support, business revitalization support by use of Small and Medium-size Enterprise Revitalization Support Councils and by creating the financial institution’s own revitalization plan, and loans which do not rely excessively on collateral or guarantees to facilitate financing for small and medium enterprises.
- (2) Looking at the evaluations by financial practitioners, we see their evaluations that efforts for each policy by many regional financial institutions are meeting user expectations. Among these, insufficient internal specialized know-how and human resources is often given as a reason for not meeting user expectations. It seems that building know-how by human resources development and use of external institutions etc is an issue.
- (3) On the other hand, looking at the evaluations by users etc, overall efforts for relationship-based local banking continue to be evaluated as active by about 50% of users, efforts for many individual policies are evaluated as insufficient, etc. Thus we see a gap between evaluations by users and evaluations by financial institutions.

For some individual policies, many users reply they “Don’t know” whether efforts by regional financial institutions are progressing. We should keep in mind the aspect that evaluations tend to be harsh for policies in which results of efforts are difficult for users to see.

- (4) It seems important that regional financial institutions continue to develop human resources and strategically use external institutions, while they work to enhance their evaluation abilities and build know-how, for continual progress in efforts by the entire organization to accurately meet user expectations and needs.

It also seems important that they work to actively provide information to users in an easily understood form regarding results of these efforts.

- \* For details, please go to the FSA's web site and access [“Situation of Efforts for Relationship-based Local Banking in FY2009” \(July 23, 2010\)](#) at the “Press Releases” section. (Available in Japanese only)

## **Publication of the “Collection of Examples of Issues Pointed out in Financial Inspections”**

On July 21, 2010, the Financial Services Agency published the “Collection of Examples of Issues Pointed out in Financial Inspections (Program Year 2009).”

### 1. Collection of Examples of Issues Pointed out in Financial Inspections

The Collection of Examples of Issues Pointed out in Financial Inspections has been compiled and published since Program Year (PY) 2005 from the perspective of both further improving the transparency and predictability of financial administration and encouraging financial institutions to strengthen their internal control systems based on the principle of self-responsibility.

This collection of examples has been compiled based on examples where inspections were completed (inspection results notified) during PY2009 (July 2009 – June 2010).

This Collection of Examples of Issues Pointed out in Financial Inspections has the following features

- (1) In order to promote the goal of “Enhancing dialogue with financial institutions and enhancing dissemination of information” raised in “Efforts for Better Regulation in Financial Inspections (Action Plan II),” we are working to increase the number of examples. (Note)

This collection of examples is comprised of “Business Management (Governance),” “Finance Facilitation Section,” and “Risk Management Section,” in accordance with the “Financial Inspection Manual” revised last year (December 2009).

- (2) Considering the situation with expectations for exhibiting smooth financial intermediary functions of financial institutions, the “Financial Inspection Findings Casebook for Financial Facilitation” (43 cases) was published at the end of last year. Cases were selected from among inspection results notices sent by this June, and were described in the “Finance Facilitation Section” in this edition.

- (3) We also created new “supplements” for this casebook: “Financial Group Management Systems,” “System Risk Management Systems,” “Foreign Bank Branches in Japan, etc.” and “Management Systems concerning Anti-social Forces,” with a collection of cases for each. These are reference cases chosen from casebooks published since FY2004, to encourage stronger self-regulatory systems in areas of financial institutions where appropriate risk management is recently needed.

(Note) “Collection of Examples of Issues Pointed out in Financial Inspections” has 47 ratings cases, and 305 findings cases. The “Supplement” has 35 financial group related cases, 87 system risk related cases, 59 foreign bank branch in Japan related cases, and 42 anti-social forces related cases. It has a total 575 cases (there were 433 cases in last fiscal year’s edition).

## 2. Collection of Examples of Opinions Submitted

The “Collection of Examples of Opinions Submitted” selects cases of opinions, which have been submitted since the introduction of the Opinion Submission System (January 2000), that are instructive for business management, and presents an outline of those examples. It has been compiled and published since 2005.

However, there were few reference cases for financial institutions in Program Year 2009, so it only published the number of submitting institutions and number of opinions.

Two financial institutions submitted 15 opinions in Program Year 2009.

\* For further details, please refer to the [Publication of the “Collection of Examples of Issues Pointed out in Financial Inspections” \(July 3, 2009\)](#) in the “Press Releases” section of the FSA website. (Available in Japanese only)

Past collections can also be viewed from the Press Releases section: Program Year 2004 ([July 27, 2005](#)), Program Year 2005 ([July 5, 2006](#)), Program Year 2006 ([July 5, 2007](#)), Program Year 2007 ([July 4, 2008](#)), Program Year 2008 ([July 3, 2009](#)) and “Financial Inspection Findings Casebook for Financial Facilitation” ([December 17, 2009](#)). (Available in Japanese only)

## Notices

### ○ 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.

#### Warnings 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.

#### Warnings 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 websites

- “Watch Out for Suspicious Investment Solicitation, etc.” (available only in Japanese)

<http://www.fsa.go.jp/ordinary/chuui/attention.html>

- List of licensed (registered) Financial Institutions

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

## **Protecting the markets with information received from the public!**

The mission of the [Securities and Exchange Surveillance Commission \(SESC\)](#) 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

### **< Information on financial instruments business operators, etc. >**

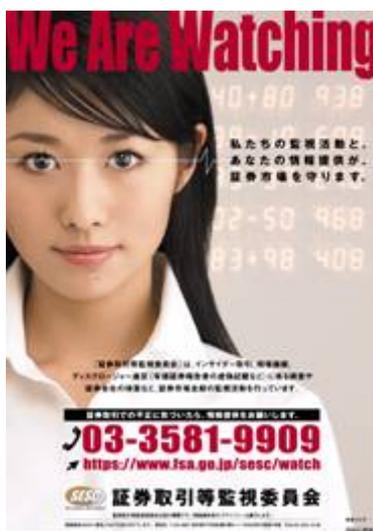
- Wrongful acts by securities companies, foreign exchange margin (FX) traders, management firms, investment advisories/agencies, etc. (inadequate explanation of risks, system-related problems, etc.)
- Problems related to business management systems or financial conditions (risk management, customer asset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

### **< 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.)

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](#) on the SESC website



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/sec/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.

\* 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 CPAAOB website.



## Main Press Releases in May, June and July

May 11	<a href="#">Access</a>	Results of soliciting opinions concerning (draft) policy on nature of regulations on mutual aid business, and bill submitted to Diet
	<a href="#">Access</a>	Decision on order to pay administrative monetary penalty for false statements in annual securities reports, etc. of Link One Co., Ltd.
May 12	<a href="#">Access</a>	“6th Panel on Certified Public Accountant System” Held
May 14	<a href="#">Access</a>	Cabinet Order and Cabinet Office Ordinance on Partial Enforcement of Act Partially Revising the 2010 Financial Instruments and Exchange Act, etc.
May 18	<a href="#">Access</a>	Requests for financial facilitation considering foot-and-mouth disease, etc.
	<a href="#">Access</a>	New Japanese Bond Income Tax Exemption Scheme
May 21	<a href="#">Access</a>	Business Accounting Council 17th Internal Controls Subcommittee document (held May 21, 2010)
	<a href="#">Access</a>	Decision on order to pay an administrative monetary penalty for insider trading by recipient of information from a substantial manager of Tokyo Koki Ltd.
May 25	<a href="#">Access</a>	Prioritized screening of annual securities reports for the year ended March 2009, and results of situation survey
	<a href="#">Access</a>	Points of attention in preparing and submitting annual securities reports (year ended March 2010 edition)
	<a href="#">Access</a>	“2nd Corporate Governance Liaison Meeting”
May 26	<a href="#">Access</a>	“7th Panel on Certified Public Accountant System” Held
	<a href="#">Access</a>	Update of the “Collection of Cases in which Administrative Action Has Been Taken”
	<a href="#">Access</a>	“Financial Tax System Study Group” held
May 27	<a href="#">Access</a>	Administrative disciplinary action against the Incubator Bank of Japan, Limited
May 28	<a href="#">Access</a>	Overview of the financial results of regional banks as of end-March 2010
	<a href="#">Access</a>	Overview of the financial results of major banks, etc. as of end-March 2010
	<a href="#">Access</a>	Disciplinary actions against audit firms
	<a href="#">Access</a>	Situation of changes in lending terms based on the Act concerning Temporary Measures to Facilitate Financing for SMEs, etc. (early report values)
	<a href="#">Access</a>	Promulgation of the “Cabinet Office Ordinance Partially Revising the Cabinet Office Ordinance on Fund Transfer Business Operators”
May 31	<a href="#">Access</a>	Update of money lending business related statistics
June 2	<a href="#">Access</a>	Partial revision of “FSA Regulatory Notice Stipulating Company Accounting Standards Determined by the FSA Commissioner as Provided in Rules on Consolidated Financial Statement Terminology, Forms and Preparation Methods”, etc.

June 3	<a href="#">Access</a>	Administrative disciplinary actions against Epsom Aibakai Co., Ltd. and Japan Horseman Club Co., Ltd.
June 4	<a href="#">Access</a>	Administrative disciplinary action against Bank of The Ryukyus, Limited
	<a href="#">Access</a>	Announcement of “Status of Reflecting FY2008 Policy Evaluation Results in Policies”
	<a href="#">Access</a>	Measures taken after receipt of public comments on the “Partial Revision of the Points of Attention on Disclosure of Corporate Information, etc. (Corporate Information Disclosure Guidelines)”
	<a href="#">Access</a>	Measures taken after receipt of public comments on the Partial Revision of Supervisory Guidelines, etc. for Customer Related Information Management Systems (draft)
	<a href="#">Access</a>	Measures taken after receipt of public comments on the partial revision of the Supervisory Guidelines, etc. on the Alternative Dispute Resolution System in the Financial Sector (Financial ADR System), the Financial Inspection Manual, etc. (draft)
	<a href="#">Access</a>	Decision on order to pay administrative monetary penalty for market manipulation of ValueCommerce Co., Ltd. shares (1)
	<a href="#">Access</a>	Decision on order to pay an administrative monetary penalty for market manipulation of ValueCommerce Co., Ltd. shares (2)
June 8	<a href="#">Access</a>	General Meeting of the Business Accounting Council documents (held June 8, 2010)
June 9	<a href="#">Access</a>	FSA Planning and Coordination Bureau, Vice Commissioner for International Affairs elected as of International Organization of Securities Commissions (IOSCO) Technical Committee Vice-Chairman
June 10	<a href="#">Access</a>	Progress of Europe’s equivalence assessment of Japan’s rating company regulations (announcement of equivalence assessment by CESR)
	<a href="#">Access</a>	Business Accounting Council, 18th Internal Controls Subcommittee documents (held June 10, 2010)
June 11	<a href="#">Access</a>	Formal complaint of inspection evasion in the Incubator Bank of Japan, Limited
	<a href="#">Access</a>	Status of crime involving counterfeit ATM cards
	<a href="#">Access</a>	Status of handling counterfeit ATM card problems, etc. (March 31, 2010)
	<a href="#">Access</a>	Measures taken after receipt of public comments on the “Revision of Cabinet Office Ordinance on the Amended Money Lending Business Act (draft)”
June 15	<a href="#">Access</a>	Measures taken after receipt of public comments on the partial revision of “Comprehensive Guidelines for the Supervision of Money Lending Business Operators” and “Clerical Guidelines (3rd Volume: Finance Company Related)” (draft)
	<a href="#">Access</a>	Measures taken after receipt of public comments on the partial revision of “Comprehensive Guidelines for the Supervision of Major Banks, etc.” and “Comprehensive Guidelines for the Supervision of Regional Financial Institutions (draft)”
June 16	<a href="#">Access</a>	Execution of field test on introduction of solvency evaluation on an economic value basis
June 17	<a href="#">Access</a>	Voluntary application and initial application of International Financial Reporting Standards (IFRS)
	<a href="#">Access</a>	Administrative disciplinary action against Chitose Tsusho Co., Ltd.
	<a href="#">Access</a>	Announced termination of notices such as “FSA Regulatory Notice Designating Organizations which can Perform Clerical Work concerning Execution of Money Lending Business Handling Manager Training.”
	<a href="#">Access</a>	“3rd Corporate Governance Liaison Meeting” held

June 18	<a href="#">Access</a>	License issued for foreign non-life insurance business	
	<a href="#">Access</a>	Outline of the results of the SME Business Sentiment Questionnaire	
	<a href="#">Access</a>	Report on Content of Measures Taken to Dispose of Bankrupt Financial Institutions, etc.	
June 21	<a href="#">Access</a>	Announcement of “Clerical Guidelines (Volume 3: Financial Company Related – 15 – Registered Training Institution Related) (draft)”	
	<a href="#">Access</a>	Announcement of “FSA Regulatory Notice on Time, etc. Designated by the Commissioner of the Financial Services Agency, based on Provisions of the Ordinance for Enforcement of Money Lending Business Act, Article 26-63, No.2 and No.3”	
June 22	<a href="#">Access</a>	FY2011: Solicitation of opinions on tax system revision requests	
	<a href="#">Access</a>	“Amended Money Lending Business Act Follow-up Team” Established	
	<a href="#">Access</a>	“8th Panel on Certified Public Accountant System” Held	
June 25	<a href="#">Access</a>	Administrative disciplinary action against Takagi Securities Co., Ltd.	
	<a href="#">Access</a>	Decision that there was no violation in the case regarding false statements in the prospectus for sale of Bic Camera Inc. shares held by a Bic Camera officer	
	<a href="#">Access</a>	Exposures of Japanese deposit-taking institutions to subprime-related products and securitized products based on the leading practices summarized in the FSF report	
	<a href="#">Access</a>	Decision on order to pay an administrative monetary penalty for insider trading by a recipient of information from an employee of Yamazaki Baking Co., Ltd.	
June 28	<a href="#">Access</a>	Announcement of Cabinet Office Ordinance on Disclosure of Corporate Information, etc. (draft)	
June 29	<a href="#">Access</a>	Administrative disciplinary action against Rights Trust Inc.	
	<a href="#">Access</a>	Project plan for reducing Japanese government bond settlement risks	
June 30	<a href="#">Access</a>	Overview of major banks’ financial results as of March 31, 2010	
	<a href="#">Access</a>	Administrative Actions on Shinsei Bank, Ltd.	
	<a href="#">Access</a>	Execution status report on sound management planning	
	<a href="#">Access</a>	Update of money lending business related statistics	
	<a href="#">Access</a>	Announcement of pay levels of officers of special corporations and authorized corporations	
	<a href="#">Access</a>	Extension, expansion and enhancement of the “Borrowers Beware’ Campaign”	
	<a href="#">Access</a>	Measures taken after receipt of public comments on the “Notice of Partial Revision of Notice concerning the Basel II First Pillar (draft)”	
	<a href="#">Access</a>	Designation of electronic monetary claim recording institutions	
	<a href="#">Access</a>	Status of changes in lending terms based on the Act concerning Temporary Measures to Facilitate Financing for SMEs, etc.	
	July 5	<a href="#">Access</a>	FSA and SEC held the sixth meeting of the “FSA-SEC High-Level Dialogue”
	July 8	<a href="#">Access</a>	General Meeting of the Business Accounting Council documents (held July 8, 2010)
July 9	<a href="#">Access</a>	Administrative Disciplinary Action against J-STOCK PARTNERS Co., Ltd.	
	<a href="#">Access</a>	Decision on order to pay an administrative monetary penalty for insider trading by a recipient of information from an employee of a party negotiating a contract with Bit-isle inc.	
	<a href="#">Access</a>	Decision on order to pay an administrative monetary penalty for false statements in a semiannual report for Remixpoint, Inc.	
	<a href="#">Access</a>	“Children Visitors Day” notice	

July 12	<a href="#">Access</a>	Approval of bank merger
July 14	<a href="#">Access</a>	Decision on order to pay administrative monetary penalty for false statements in annual securities reports, etc. of Victor Company of Japan, Limited
July 16	<a href="#">Access</a>	Press release on progress on the regulatory reform package by the Basel Committee on Banking Supervision, and announcement of consultative document on counter cyclical capital buffer
	<a href="#">Access</a>	Administrative disciplinary action against Sanei Securities Corporation
July 21	<a href="#">Access</a>	Concord Co., Ltd.
	<a href="#">Access</a>	Administrative disciplinary action against Kirayaka Bank, Ltd.
July 21	<a href="#">Access</a>	Announcement of “Cabinet Office Ordinance Partially Revising the Ordinance for Enforcement of Banking Law, etc. (draft)”
	<a href="#">Access</a>	Publication of the “Collection of Examples of Issues Pointed out in Financial Inspections”
July 23	<a href="#">Access</a>	“Situation of Relationship-based Local Banking Initiatives in FY2009”
	<a href="#">Access</a>	Decision on order to pay an administrative monetary penalty for insider trading by an employee of Kyoei Sangyo Co., Ltd. (1)
July 26	<a href="#">Access</a>	Decision on order to pay an administrative monetary penalty for insider trading by an employee of Kyoei Sangyo Co., Ltd. (2)
	<a href="#">Access</a>	Money Lending Consultation Desk opened
July 26	<a href="#">Access</a>	FSA extends temporary measures regarding restrictions on short selling and purchase of own stocks by listed companies
	<a href="#">Access</a>	Press release “The Group of Governors and Heads of Supervision reach broad agreement on Basel Committee capital and liquidity reform package,” announced by the Group of Governors and Heads of Supervision
July 28	<a href="#">Access</a>	Partial revision of “Comprehensive Guidelines for the Supervision of Major Banks, etc.,” etc.
	<a href="#">Access</a>	Administrative disciplinary action against Linemap Investment Advisory Inc.
July 29	<a href="#">Access</a>	Partial revision of “FSA Regulatory Notice Stipulating Company Accounting Standards Determined by the FSA Commissioner as Provided in Rules on Consolidated Financial Statement Terminology, Forms and Preparation Methods,” etc.
	<a href="#">Access</a>	“9th Panel on Certified Public Accountant System” Held
July 30	<a href="#">Access</a>	Decision to order an administrative monetary penalty for insider trading by a recipient of information from a party to a contract with Sowa Jisho Co., Ltd.
	<a href="#">Access</a>	“Financial Tax System Study Group: Discussion Points”
July 30	<a href="#">Access</a>	Results of solicitation of opinions on FY2011 tax system reform requests
	<a href="#">Access</a>	“Financial Tax System Study Group” held
July 30	<a href="#">Access</a>	Update of money lending related statistics
	<a href="#">Access</a>	Status of counseling, etc. provided by the “Counseling Office for Financial Services Users” (period: April 1 to June 30, 2010)
July 30	<a href="#">Access</a>	Number of cases of information provided on improper use of deposit accounts
	<a href="#">Access</a>	Execution status of management reinforcement plan of Yamanashikenmin Shinyoukumiai and management reinforcement guidance plan of The Shinkumi Federation Bank (year ended March 2010)

<a href="#">Access</a>	Execution status of management reinforcement plans of Kiyo Holdings, inc., The Kiyo Bank, Ltd. and The Howa Bank, Ltd. (year ended March 2010)
<a href="#">Access</a>	Execution status of management reinforcement plans of 10 regional banks (year ended March 2010)
<a href="#">Access</a>	9th Panel on Certified Public Accountant System documents (July 30, 2010)
<a href="#">Access</a>	Promulgation of Cabinet Ordinances and FSA Regulatory Notices concerning the extension of temporary measures regarding restrictions on short selling and purchase of own stocks by listed companies

*Details of any items with an	<a href="#">Access</a>	link can be viewed by clicking on the	<a href="#">Access</a>	link.
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