

Main Points of Annual Supervisory Policies for Program Year 2012

What are Supervisory Policies?

The FSA publishes its annual supervisory policies for financial institutions at the beginning of every program year (July 1 to next June 30) with the object of clarifying its supervisory priorities.

Main Contents of Supervisory Policies for Program Year 2012

- Since this program year is the final year for the SME Financing Facilitation Act, it is emphasized that the financial institutions should take various measures so that the management of SMEs could be improved truly (“exit strategy”). Descriptions related to the following are also expanded: enhanced risk management systems in accordance with the recent European debt crisis, etc., enhanced customer support regarding investment trusts which are vulnerable to market fluctuations, and appropriate responses to various issues concerning the financial industry, such as insider trading, pension funds, the LIBOR problem, and the losses occurring from currency derivatives. (Finely-tuned responses to devastated areas of the Great East Japan Earthquake continue to be emphasized.)

[Points to be Emphasized in This Program Year]

(1) Performing a Smooth Financial Intermediary Function

• Loans to SMEs, etc.

→ Reaffirm the importance of coordination with other financial institutions and external institutions (Enterprise Turnaround Initiative Corporation of Japan, SME Rehabilitation Support Co-operative, etc.)

→ Monitor the status of creating drastic and highly realizable business rehabilitation plans, and of implementing business recovery initiatives, etc.

→ Support entrepreneurs by utilizing equity funds, etc.

→ Utilize diverse financial techniques, such as debt-debt swap and asset-based lending

• Housing Loans

→ Monitor the responses of financial institution concerning the reduction in interest rates

(2) Risk Management & Financial System Stability

• Supervision based on the Viewpoint of Macro Prudence

→ Sovereign debt problems in Europe, economic and financial trends in the U.S., China, etc.

→ Response to risks of rising long-term interest rates while considering European sovereign debt problems

→ Foreign currency liquidity management in preparation for deepening crisis

• Enhanced Risk Management Systems to Support Initiatives for Stronger Profitability

→ Strengthening of Risk Management Systems throughout the Group, including subsidiaries with different businesses and real estate sectors concurrently operating trust business

(3) Improvement of Customer Protection and Convenience for Users

• Taking appropriate measures against industry-wide issues concerning the financial industry, such as insider trading, pension funds, and the LIBOR problem

• Strengthening of finely-tuned customer dealings

→ Thoroughness of appropriate customer dealing regarding currency derivatives in the background to the recent development of exchange rates

→ Finely-tuned customer dealing regarding investment trusts which are susceptible to market fluctuations

→ Check the status of responses to corporate clients such as pension funds

• Ensuring effectiveness of business continuity

→ Continuous inspection of IT systems, ensuring the effectiveness of business continuity plans

[Main Items of Continued Initiatives]

(1) Approach Taken by Supervisory Authority

- Better Regulation (Utilize Public-Private Roundtable)
- Promote seamless on-site and off-site monitoring

(2) Performing a Smooth Financial Intermediary Function

- Responses to devastated areas of the Great East Japan Earthquake
- Active participation in consumer finance

(3) Improvement of Customer Protection and Convenience for Users

- Enhancement of the framework for processing consultation and complaints (e.g. ADR, etc.)
- Prevent misuse of financial functions etc.