

<Provisional Translation>

Summary of the “Program for Further Financial Reform”

- Japan’s challenge:
Moving toward a Financial Services Nation -

December 2004

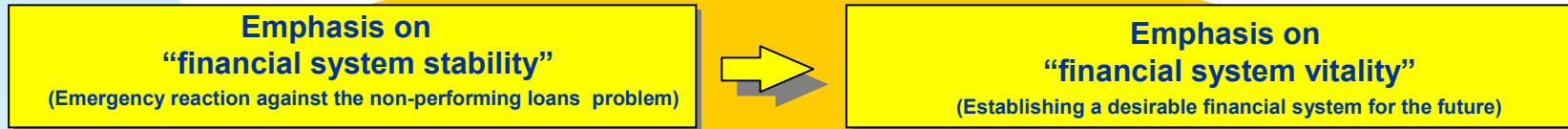


Financial Services Agency

1. Basic Concepts for Designing the Program

◇ Change of phases surrounding the financial environment

- From the emergency reaction phase to a desirable financial situation -



◇ Desirable financial system

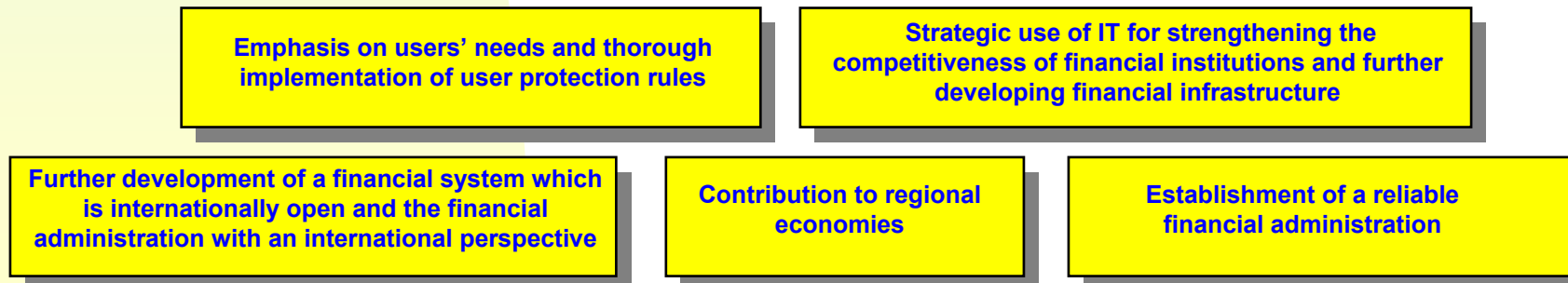
by the effort of the "private sector," not led by the "public sector"

Any user of financial products and services has access to options for diversified and good-quality financial products and services at anytime, from anywhere, at an appropriate price.

(a financial system superior in its convenience, price advantage, diversification, international aspect and reliability)



◇ Five points in the challenge moving toward a "Financial Services Nation"



2. Concrete Measures

I. Creation of a vibrant financial system

Emphasis on users' needs and thorough implementation of user protection rules

- Enhancement of the provision and distribution framework for financial products and services
- Enactment of the “Investment Services Law (tentative name)”
- Prevention of financial crimes such as crimes with counterfeit cards
- Smooth implementation of the scheduled removal of the remaining blanket deposit insurance
- Expansion of financing methods that do not rely excessively on real estate collateral and guarantees
- Establishment of the “Counseling Office for Financial Services Users”
- Expansion of financial and economic education

Strategic use of IT for strengthening the competitiveness of financial institutions and further developing financial infrastructure

- Study toward legislation concerning electronic fund settlement and online financial transaction
- Further enhancement of the corporate disclosure system
 - Introduction of a rating system into inspection
- Improvement in the management (governance) of financial institutions
- Vitalization of private offering markets, including reviewing the definition of qualified institutional investors, etc.
- Further strengthening of market supervision and surveillance authorities
- Enhancement of risk management of financial institutions
 - Implementation of Basel II (the new capital adequacy framework), and early recognition and treatment for non-performing loans

Further development of a financial system which is internationally open and the financial administration with an international perspective

- Study toward financial legislation for financial conglomerates
- Promoting dialogues among financial regulators in Asia through active participation in negotiations of Economic Partnership Agreements (EPA)
- Active participation in international standard-setting activities

II. Contribution to regional economies

Revitalization and activation of regional economies, facilitation of small- and medium-sized enterprises (SMEs) financing

- Further promotion of region-based relationship banking by designing a new action program inheriting the existing “Action Program concerning enhancement of Relationship Banking Functions” with the view to promoting revitalization and activation of regional economies, facilitation of SME financing, and strengthening of management functions of regional financial institutions. The new action program will be built on the assessment of the existing one.

Strengthening management functions of regional and small- and medium-sized financial institutions

- Promotion of efforts to enhance abilities of risk management and business assessment and improving earnings management system and governance.

III. Establishment of a reliable financial administration

Improving the transparency and predictability of the financial administration

- Establishment of the FSA’s “Code of Conduct,” reconfirmation of the equal treatment principle of domestic and foreign financial institutions

Promotion of a convenient and efficient financial administration through e-government, etc.

- Implementation of an efficient and sound administration through e-government, etc.
- Full internal check and review of FSA’s organization and frameworks based on the “FSA’s Full Check Project”