

## Profile - Deposit Insurance Corporation of Japan

[www.dic.go.jp](http://www.dic.go.jp)

The Deposit Insurance Corporation of Japan (DICJ) was established in July 1, 1971 as the administrative organ of Japan's deposit insurance system under the Deposit Insurance Law (Law No.34 of April 1, 1971). This step was based on a recommendation issued in July 1970 by the Financial System Research Committee, an advisory board to the Minister of Finance. The original capital of ¥ 450 billion was subscribed one third each from the Japanese government, the Bank of Japan and the private financial institutions. The government subsequently subscribed additional capital of ¥ 5 billion in July 1996 to administer work related to non-performing housing loans and guarantees transferred from the former Housing Loan Administration Corporation. The current share of the Japanese government stands at around 95% of total capital. The supervising authorities of DICJ are the Ministry of Finance and Financial Services Agency.

In the 1990's, accumulated non-performing loans in the financial system became a major issue, following the collapse of the bubble economy, and the number of failed financial institutions increased significantly. The government has since been taking many initiatives to ensure Japan's financial stability and, thus, push the economy back onto a recovery track with various legislative steps including a series of amendments of the Deposit Insurance Law from 1996 until today. These amendments empowered DICJ to expand its activities and mandate significantly, while keeping the nature of DICJ as the main player in the deposit insurance system.



The current activities of DICJ can be categorized into the following areas: (1) administering the deposit insurance system to provide a safety net for maintaining depositors' confidence in the financial system through, *inter alia*, financial assistance associated with resolution of failed or failing financial institutions (the financial assistance was extended to 180 institutions during the period from April 1992 to June 18, 2003, amounting to ¥ 25.0 trillion in total through capital injections and asset purchases),

(2) financial reengineering businesses such as “the financial reconstruction” activities, which include the management of failed financial institutions as a financial administrator appointed by the Commissioner of FSA (DICJ worked for 11 financial institutions as the financial administrator as of the end of FY 2002, including 7 banks, 2 credit associations and 2 credit unions),

(3) extending guidance and support to the Resolution and Collection Corporation (RCC), a wholly owned subsidiary of DICJ, in conducting their resolution and collection business of non-performing loans transferred from former housing loan companies and failed financial institutions entrusted by DICJ, as well as pursuing civil and criminal liabilities of the management of failed financial institutions (by the end of March 2003, RCC collected ? 6.2 trillion, 64.2% of the non-performing loan principal. The number of cases conducted by DICJ and RCC accusing civil and criminal liabilities of the management of failed institutions reached to 238 cases from 1996 until the end of FY2002), and

(4) strengthening the capital of viable financial institutions and purchasing and disposing of non-performing loans assumed from sound financial institutions (? 12.3 trillion in total was injected by the end of June 2003. And, the outstanding of the borrowings from the market with government guarantee is ? 2.9 billion to the end of FY2002).

Furthermore, in April 2002, DICJ was authorized to conduct on-site inspections of financial institutions in preparation of its immediate response to possible failures under the limited guarantee system that will be implemented in full scale in April 2005. We are now in the midst of taking a phased-in approach to shifting from the blanket to limited guarantee system.

In the international arena, DICJ was deeply involved in the process of founding IADI from the earliest discussion stages as a member of the steering committee. DICJ has since been actively involved in IADI activities as a member of Executive Council and as the Chair of the Asian Regional Committee. DICJ has also been active in providing technical assistance to governments, central banks and other safety net players in other countries by sending experts to their headquarters, etc. and welcoming research/study missions to Tokyo from overseas authorities.

The DICJ is fully committed to cooperating and collaborating with any of those colleagues worldwide who share common challenges and the goal with us.