

International Deposit Insurance Survey

Section 1: Background Information

1.1 Organization (deposit insurer) responsible for administering the deposit insurance system:

1.1.1 Organization Name:

Deposit Insurance Corporation of Japan

1.1.2 Organization Address:

9th Floor, Shin Yurakucho Building, 1-12-1 Yurakucho, Chiyoda-ku, Tokyo 100-0006, JAPAN

1.1.3 Organization Telephone No:

+81-3-3212-6121

1.1.4 Organization Fax No:

+81-3-3212-6777

1.1.5 Organization Internet Address:

inter-info@dic.go.jp

1.2 Contact Person(s):

1.2.1 Contact Person(s) Name:

Fujie Sato

1.2.2 Contact Person(s) Address:

9th Floor, Shin Yurakucho Building, 1-12-1 Yurakucho, Chiyoda-ku, Tokyo 100-0006, JAPAN

1.2.3 Contact Person(s) Telephone:

+81-3-3212-6121

1.2.4 Contact Person(s) Fax:

+81-3-3212-6777

1.2.5 Contact Person(s) E-mail address:

fujie-sato@dic.go.jp

1.2.6 Are there other deposit insurance systems operating in your country ? (i.e. applying to other types of non-bank or non-depository institutions e.g.. insurance, securities) Please state their name(s) and contact information:

Agricultural and Fishery Co-operative Savings Insurance Corporation, Japan Investor Protection Fund (securities), Life Insurance Policyholders Protection Corporation of Japan, Non-Life Insurance Policy-holders Protection Corporation of Japan

1.3 Please provide information on other participants in your financial system safety-net:

1.3.1 Name of Central Bank:

Bank of Japan

1.3.2 Central Bank Address:

2-1-1, Nihonbashi-Hongokucho, Chuo-ku, Tokyo 103-8660, JAPAN

1.3.3 Central Bank Telephone:

+81-3-3279-1111

1.3.4 Central Bank Fax:

1.3.5 Central Bank Internet Address:

prd@info.boj.or.jp

1.3.6 Central Bank Contact Person:

1.4 Financial Supervisor:

1.4.1 Financial Supervisor Name:

Financial Services Agency

1.4.2 Financial Supervisor Address:

3-2-1, Kasumigaseki, Chiyoda-ku, Tokyo 100-8967, JAPAN

1.4.3 Financial Supervisor Telephone:

+81-3-3506-6000

1.4.4 Financial Supervisor Fax:

1.4.5 Financial Supervisor Internet Address and contact:

foreignpr@fsa.go.jp

1.5 Other related entities:

1.5.1 Other Related Entities Name:

Ministry of Finance

1.5.2 Other Related Entities Address:

3-1-1, Kasumigaseki, Chiyoda-ku, Tokyo 100-8940, JAPAN

1.5.3 Other Related Entities Telephone:

+81-3-3581-4111

1.5.4 Other Related Entities Fax:

1.5.5 Other Related Entities Internet Address:

https://www2.mof.go.jp/enquete/questionnaire_en.html

Section 2: Objectives, Mandates & Powers

2.1.1 When and why was the DIS established (please provide details)?

In July 1970, the Financial System Council, an advisory board for the Minister of Finance, recommended that a certain system to protect depositors should be introduced in their report on the government policy towards private financial institutions. Responding to this recommendation, the Deposit Insurance Law was enacted in March 1971 and was enforced on April 1, 1971. Thus, the Deposit Insurance Corporation of Japan (DICJ) was established on April 1, 1971 immediately after the enactment of the Deposit Insurance Law to protect depositors and to maintain financial stability in Japan.

2.1.2 What are the stated public policy objectives or mandate for your country's DIS? When was the last time they were reviewed and changed?

The objectives of the deposit insurance system are defined in Article 1 of the Deposit Insurance Law as “to protect depositors and other parties as well as maintain an orderly financial system, by providing for the payment of deposit insurance claims and the purchase of deposits and other claims in the event that repayment of said deposits, etc., is suspended by a financial institution, and, regarding the resolution of failed financial institutions, providing appropriate financial assistance to facilitate mergers, etc. or other resolutions of failed financial institutions, providing for financial administrators for failed financial institutions, providing for the succession of business of failed financial institutions, and establishing a system for appropriate measures in response to financial crises.” Furthermore, the purpose of ensuring fund settlement after a financial institution's failure has been added in line with the amended Deposit Insurance Law in Dec. 2002. The latest change of the Deposit Insurance Law was June 2007 when it was decided that the Shokochukin Bank (the Central Cooperative Bank for Commerce and Industry) would be a member financial institution as from October 2008.

2.1.3 What process was used to determine these objectives in your country?

Legislation

2.1.4 What is the legal basis under which the DIS was established? Please provide a copy.

Legislation

The Deposit Insurance Law

2.1.5 Is there a formal process for a periodic review of the policy objectives/mandates?

No

2.1.6 What sort of system do you have?

Government legislated and administered

2.1.7 Who makes decisions to pay depositor claims?

DICJ

2.2 Which of the following powers has been provided to the DIS in order to carry out its mandate?

2.3 Authority to

2.3.1 Enter into contracts

Yes

2.3.2 Set regulations or by-laws for conduct of its business

Yes

2.4 Authority over entry and exit of member deposit taking institutions

2.4.1 Establish terms and conditions of membership

No

2.4.2 Authority to terminate the insured status of a member institution

No

2.5 Depositor reimbursement

2.5.1 Affect reimbursement of depositors claims

Yes

2.5.2 Access to depositor information

Yes

2.5.3 Use various methods of reimbursing depositors claims

Yes

2.6 Funding

2.6.1 How funding is provided

Yes

2.6.2 Terms and conditions of premiums or levies

Yes

Yes for premiums, but no for costs incurred in crisis management operations (refer to #8.1.12).

2.6.3 Borrowing authorities and limits

Yes

2.7 Information Requirements

2.7.1 Access to information directly from member deposit taking institutions or its auditors

Yes

As stipulated in paragraph 1, Article 37 of the Deposit Insurance Law.

2.7.2 Access to information through supervisory authorities

No

2.8 Enforcement and intervention

2.8.1 Authority to conduct examinations and/or reviews

Yes

The Deposit Insurance Law provides that the Prime Minister (granting authorization to the Commissioner of the FSA) may, when deeming it necessary to ensure that the provisions of the Law are implemented efficiently, authorize the DICJ to conduct on-site inspections of financial institutions. The scope of on-site inspections that may be undertaken by the DICJ is defined in Article 137, paragraph 6 of the Deposit Insurance Law. Namely, the DICJ may conduct inspections to check: (1) “that payment of insurance premiums is being made properly”; (2) “that measures are being implemented to prepare databases, electronic data processing systems and other relevant measures for aggregating data related to deposits held by the same depositor, as obligatory to financial institutions”; and (3) “the estimated amount to be repaid on deposits and other claims when a financial institution has been made subject to bankruptcy proceedings”. Penal provisions also exist for cases including evasion of these on-site inspections (Article 143, paragraph 2 of the Deposit Insurance Law).

2.8.2 Ability to set standards or guidelines for member institutions

Yes

2.8.3 Authority to take enforcement actions against members (i.e. such as the authority to require a change in institutional control and/or behaviour).

No

2.8.4 Authority to cancel deposit insurance of a member institution

No

2.8.5 Authority to hold officers and directors of failed institutions legally liable for the failure of the institution

Yes

2.9 Failure resolution

2.9.1 Authority to decide on appropriate form of failure resolution

Yes

2.9.2 Authority to provide financial assistance (e.g. in the form of a loan -- with or without security -- by purchasing assets from the institution or through some other process).

Yes

2.9.3 Authority to guarantee deposits with member institutions or guarantee loans to an institution by other parties

Yes

2.10 Authority to:

2.10.1 Undertake formal liquidation

Yes

When a financial institution suspends repayment of deposits, the DICJ decides whether or not to make insurance payment within one month after the occurrence of such insurable contingency, subject to a resolution by the Policy Board (if necessary, this period may be extended another month). If the insurance pay-out method is adopted, bankruptcy proceedings are expected to be used for resolution of the failed financial institution. In bankruptcy proceedings, liquidity operations such as the disposal of assets and payment of dividends to creditors (including depositors holding non-insured deposits) are executed under management by a trustee in bankruptcy to be appointed by the court.

2.10.2 Purchase and assumption (sale and merger)

Yes

The main method is financial assistance to the assuming financial institutions.

2.10.3 Open assistance (bridge bank)

Yes

2.10.4 Other forms of failure resolution

Subscription of preferred shares and loss sharing.

2.11 Optimizing recoveries

2.11.1 Ability to act as a receiver

Yes

2.11.2 Ability to act as a liquidator

No

Section 3: Governance Arrangements

3.1.1 Is the DIS a legally separate organization from other public or private bodies? (e.g. central bank, supervisor, industry association)

Yes

3.1.2 What is the form of governance used by the DIS organization?

Other

null|null|null|null|the Policy Board|

3.1.3 How is the governing body selected?

The Policy Board functions as a decision-making body that passes resolutions on important matters regarding the management of the DICJ. It consists of a maximum of eight Board Members together with the Governor and Deputy Governors (no more than four) of the DICJ. Board Members are appointed by the Governor of the DICJ from persons with experience and expert knowledge in finance. All appointments of Board Members must be approved by the Prime Minister (a task legally delegated to the Commissioner of the Financial Services Agency) and the Minister of Finance while the Governor and Deputy Governors shall be appointed by the Prime Minister subject to the approval of both Houses of the Diet.

3.1.4 What is the composition of the governing body?

See response for #3.3 above.

3.1.5 What are the duties and responsibilities of the governing body?

According to the Articles of Incorporation of the DICJ, a resolution of the Policy Board is required for: 1) amendments to the Articles of Incorporation, 2) preparation of and amendments to the Operational Guidelines, 3) budget and funding plans, 4) settlement of accounts, 5) decisions on and changes to insurance premium rates, 6) decisions on the reimbursement of deposit insurance and partial payments thereof, 7) decisions on financial assistance, and 8) decisions on the purchase of deposits and other claims.

3.1.6 Is there any direct or indirect representation in the management of the DIS by member insured institutions?

No

3.1.7 Is there any direct or indirect representation in the management of the DIS by the central bank?

No

3.1.8 Is there any direct or indirect representation in the management of the DIS by the regulator?

No

3.1.9 Is there any direct or indirect representation in the management of the DIS by the supervisor?

No

3.1.10 Is there any direct or indirect representation in the management of the DIS by other?

No

3.1.11 Please provide a breakdown of the management structure of the DIS

The DICJ is managed by the Governor and four Deputy Governors. The Governor and Deputy Governors shall be appointed by the Prime Minister subject to the approval of both Houses of the Diet. The DICJ has following nine departments: 1) Planning and Coordination Dept. (in charge of overall coordination of the DICJ's administrative work, convening the Policy Board, public relations, information disclosure, protection of personal information, personnel affairs, organization, recruitment, guidance and advice to or liaison with the Resolution and Collection Corporation (RCC), international affairs, and research activities at home and abroad); 2) Treasury Dept. (responsible for budgeting, settlement, accounting, financial audits, asset management, financial planning, funding, management and collection of insurance premiums, and making public announcement pursuant to Law concerning Payment of Damage Recovery Dividends by Funds Deriving from Deposit Accounts used in Crime); 3) Financial Reconstruction Dept. (in charge of works related to financial administrators, transfer of business of failed financial institutions, response to financial crises, special management of banks, asset purchase from and capital injection to financial institutions, and corporate revitalization); 4) Deposit Insurance Dept. (in charge of works related to execution of claims and other payments, financial assistance including responses to financial crises, purchase of deposits and other claims, development and operation of information systems, training and advice to financial institutions on enhancement of the depositors name-based aggregation system and database, and preparation of list of depositors in line with the Act on Special Corporate Reorganization); 5) Special Investigation Dept. (in charge of giving investigatory guidance and advice to the RCC, investigating cases in pursuit of criminal and civil liability and debtors regarding claims transferred to the RCC, conducting collection commissioned by the RCC, and managing, recovering and disposing purchased assets); 6) Inspection Dept. (in charge of inspections to confirm insurance premium calculated and paid by financial institutions, inspections to confirm readiness of name-based aggregations, and computational inspections of estimated proceeds payment rate); 7) Osaka Operation Dept. (dealing the works related to Deposit Insurance Dept. and Special Investigation Dept. mainly in the Kansai area and further western part of Japan); 8) Legal Affairs Dept. (in charge of controlling overall DICJ operations related to legal affairs); and 9) Audit Dept. (responsible for checking operational system of the DICJ from the standpoint of risk management and compliance,

supporting the auditor who conducts auditing accounts, and handling administration regarding the Board of Audit of Japan).

3.1.12 Do you have an internal control and audit systems

Yes

Business affairs of DICJ are audited by the Auditor who shall be appointed by the Prime Minister subject to the approval of both Houses of the Diet. The Auditor may, when deeming it necessary based on the results of the audit, submit an opinion to the Governor of the DICJ or the Prime Minister and the Minister of Finance.

3.1.13 Are directors and officers of the DIS and/or supervisors personally liable for their decisions in the normal course of their activities?

Yes

3.1.14 Is there an advisory committee to the DIS?

Yes

3.1.15 Has the DIS ever taken legal action against directors of failed member institutions? Or others? What position did the person(s) hold?

Yes

Through close linkage with the RCC, DICJ has been pursuing: 1) the civil and criminal liabilities against executives of failed financial institutions, and 2) criminal liabilities against debtors for auction interference, obstruction of law enforcement, and fraud, etc.

3.1.16 Please indicate which of the following tools are used as part of your accountability regime.

Annual Reports, Corporate Business Plan

null|null|null|null

Section 4: Human Resources & Infrastructure

4.1.1 What is the total number of employees at the DIS (e.g. full-time, part-time and contract) ?

360 (authorized strength for FY2008)

4.1.2 Are the majority of DIS employees dedicated staff or do they come from other organizations (i.e. government, central bank, private sector)?

No

The majority of the DICJ employees are seconded staff from the government, the central bank and private banks.

4.1.3 Does the DIS train and develop its own staff? If so, briefly describe programs which have been put in place for training and development?

Yes

Training and development programs for the DICJ employees include occasional lectures by outside lecturers and employees' participation in seminars organized by the government and academic institutions. In addition, simulation training as the financial administrator when a bank fails takes place regularly.

4.1.4 Is there shared training and development between the staff of the DIS and other authorities involved in financial sector supervision or regulation? (i.e. central

bank, supervisor, regulator, other)

No

4.1.5 Are compensation and incentives offered sufficient to attract and retain skilled staff? Please elaborate.

3

Evaluation is not available; salary of the DICJ employees are based on the salary scheme of government employees.

4.1.6 Are confidentiality provisions for employees provided for?

Yes

4.1.7 Do employees of the DIS receive legal protection against lawsuits for their actions taken in good faith and acting in the best interests of the DIS?

Other

There is no provision about legal protection in the Deposit Insurance Law. However, the DICJ may incur compensation for damage claimed for its employees.

4.1.8 What percentage of the budget is spent on training and development and information technology?

N/A

Section 5: Information Sharing & Interrelationship Among Safety-Net Players

5.1.1 Who performs examinations of DIS member institutions?

Supervisor

Financial Services Agency and Ministry of Finance

5.1.2 Please describe the examination process that is used to evaluate member institution performance?

N/A

5.1.3 What information is collected from member institutions for the DIS and other parties?

N/A

5.1.4 What arrangements (i.e. formal or informal) are in place between organizations responsible for deposit insurance and other parties comprising the safety-net (e.g. central bank, supervisor, regulator) regarding the sharing of information concerning member institutions? Please provide details of these agreements.

Provisions in the Deposit Insurance Law: When deemed particularly necessary by the DICJ and requested for the performance of its operations, the Bank of Japan or national, metropolitan or prefectural governments may submit materials to the DICJ or allow it to disclose them.

5.2 On a scale from 1 to 5, 1 being low and 5 being high, please rate both the accessibility (i.e. access to all necessary information for the DIS to fulfill its mandate) and timeliness (i.e. information is received when needed) of

information that is shared amongst members of the safety net.

5.2.1 accessibility

4

5.2.2 timeliness

4

5.2.3 Is there a consistent definition/classification across authorities of problem institutions

Yes

The Deposit Insurance Law defines a "failed financial institution" as a financial institution that has suspended repayment of deposits, etc., or is at risk of suspending repayment thereof, due to business conditions or the situation of its assets.

5.2.4 When policy regarding the DIS and financial sector is developed or amended, are other bodies consulted and/or advised (e.g. central bank, supervisor, regulator, government, industry associations) ? If you do consult and/or advise what bodies do you do it with?

Consult, Advise

Financial Services Agency, Ministry of Finance, Bankers Associations|Financial Services Agency, Ministry of Finance, Bankers Associations|null|

5.2.5 Is discussion with other bodies encouraged prior to the implementation of new policy?

Yes

5.2.6 How often do you contact other DIS?

Occasionally

Agricultural and Fishery Co-operative Savings Insurance Corporation

5.2.7 Is the DIS consulted when the regulator, supervisor or central bank enters into an agreement with a financial institution that is experiencing problems?

No

Section 6: Membership

6.1.1 What types of institutions are covered in your DIS?

Banks (under the definition of the Banking Law), long-term credit banks (under the definition of the Long-Term Credit Bank Law), shinkin banks, credit cooperatives, labor banks, the Shinkin Central Bank, the Shinkumi Federation Bank, the Rokinren Bank and Japan Post Bank are covered while foreign branches of these banks are not covered.

6.1.2 Is membership in the DIS mandatory for designated deposit taking institutions?

Yes

6.1.3 Do you have terms and conditions of membership? (i.e. laws, regulations or agreements which member institutions have to abide by) If so, please explain the

application process used and any conditions of membership imposed on institutions by the DIS.

No

6.1.4 Is the membership of foreign institutions (i.e. foreign bank branches and/or subsidiaries) covered in the same way as domestic institutions? If not, please describe the difference.

No

Foreign bank branches are not covered while foreign bank subsidiaries under the Banking Law are covered.

6.1.5 If more than one safety-net organization is responsible for the application process for membership, how is the application process coordinated between the parties responsible?

N/A

6.1.6 Are deposit-taking institutions required to re-apply for membership after a certain period of time?

No

6.1.7 How many member institutions do you have?

610 (149 banks, 281 shinkin banks, 164 credit co-operatives, 13 labor banks, 3 federations) as of April 1, 2008

6.1.8 What is the total level of assets, deposits and insurable deposits of all DIS member institutions?

Total deposits: JPY 724.7 trillion; Insured deposits: JPY646.9 trillion (as of March 31, 2007)

Section 7: Coverage

7.1.1 Is there a formal definition of a deposit and or insured deposit used by your DIS? If so what is it?

Yes (please explain)

Under the Deposit Insurance Law, "deposits, etc." are defined as: 1) deposits, 2) installment savings; 3) installment contributions coming under the provisions of the Banking Law, 4) money receivable under money trust agreements to cover payment of principal (including loan trusts) coming under the provisions of the Trust Business Law; and 5) money receivable through the issuance of bonds (limited to such for which ownership rights can be clearly ascertained as stipulated by Cabinet Order) under the provisions of the Long-Term Credit Bank Law.

7.1.2 What types of deposits are eligible for coverage in your DIS?

Savings account, Chequing account, Money orders

null|null|null|null|null|null|null|null|null|null|null

7.1.3 Is coverage

per depositor per institution

7.1.4 What is the coverage limit per depositor?

1. Deposits for settlement purposes (i.e., deposits bearing no interest, being redeemable on demand, and providing normally required payment and settlement services): full coverage. 2. Other deposits: Up to JPY10 million principal and interest thereon. 3. Settling obligations*: full coverage. [*The settling obligations are obligations assumed by financial institutions concerning transactions involved in fund

settlement conducted by financial institutions (exchange transactions, bills which can be cleared at the clearing house, transactions settled by presenting checks and those involving self-addressed checks drawn by financial institutions).]

7.1.5 How was this figures arrived at?

The coverage limits of the DICJ are determined in consideration of the amount necessary to contribute to maintain an orderly financial system as well as the amount of financial asset per capita, the protection percentage of deposits of individuals, and the burden on insured financial institutions.

7.1.6 For eligible financial instruments with maturity dates, what is the longest contract term covered by the DIS?

Not limited.

7.1.7 What types of depositors are not eligible for coverage in your DIS?

Other

null|null|null|null|the central bank, member institutions and the DICJ|

7.1.8 Is the coverage amount indexed?

No

7.1.9 What is it indexed to?

N/A

7.1.10 Does your DIS use coinsurance? If coinsurance is used please describe the approach used.

No

7.1.11 Is the public widely aware of the presence of coinsurance?

other

N/A

7.1.12 Are coverage levels affected by resolution methods? If so, please explain.

No

7.1.13 To what extent, is there a public expectation that the DIS coverage limit would be extended to 100% coverage in the event of a banking crisis or the failure of a very large institution? Please provide recent examples, if applicable.

Yes

When an extremely serious threat is posted to the maintenance of financial stability on national or regional basis where financial institutions are operating, exceptional measures as stipulated in the Deposit Insurance Law will be taken which include: (1) capital injection, (2) financial assistance exceeding the pay-out cost, and (3) acquisition of shares by DICJ. An example of (1) is Resona Bank, and (3) is Ashikaga Bank, while there is no example of (2).

7.1.14 How is a decision made on the insurance eligibility of new financial products?

The Financial Services Agency (FSA) determines the insurance eligibility of new financial products by assessing its features and characteristics in the light of the definitions of an insurable deposit stipulated in Paragraph 2 of Article 2, Paragraph 1 of Article 51-2, and Paragraph 1 of Article 54 of the Deposit Insurance Law. DICJ closely collaborates with FSA in the determination.

7.1.15 When member institutions merge how are insured deposits treated?

As a special case for the time being, if financial institutions merge or take over all operations, for one year

from the merger date, the protected amount will be “¥10 million multiplied by the number of financial institutions involved in the merger” (for example, ¥20 million if two institutions merge).

7.2 Does your country offer the following?

7.2.1 Islamic banking

No

7.2.2 Islamic deposit insurance

No

Section 8: Funding & Fund Management

8.1.1 What type of funding is used by the DIS?

A combination of the above two approaches
Refer to #8.1.12.

8.1.2 Is the DIS funded by levying insurance premium assessments against member institutions or, by some other means such as general tax revenues?

Premium assessment

8.1.3 If insurance premiums are assessed, are they assessed as a flat rate or are they differential in some way, please explain? (e.g. risk based)

a flat rate

8.1.4 What is the current premium rate? If there have been changes to this rate, details would be appreciated.

FY2008: 0.108% for deposits for payment and settlement purposes, 0.081% for general deposits. FY2007: 0.110% for deposits for payment and settlement purposes, 0.080% for general deposits.

8.1.5 How often is the premium assessed?

Annually

8.1.6 Is the premium assessed on total deposits, insured deposits or something else?

Other

Insurable deposits

8.1.7 Are premiums paid by member institutions tax deductible as a business expense?

Yes

8.1.8 For premiums that are differentiated please explain the risk assessment system that is used to ascertain a premium assessment.

N/A

8.1.9 Does the DIS have a target with respect to the optimal size of the DIS fund? (Yes is chosen go to question 8.10 otherwise Skip the next 2 questions)

No (Skip the next question)

8.1.10 How is the optimum level (i.e. target) of the fund determined?

Skipped

8.1.11 What investment policies (i.e. safeguards against abuse) exist concerning the use of the fund?

Skipped

8.1.12 If a fund is not maintained, is an assessment levied on institutions after the failure of a financial institution has occurred? If so, please explain how the levies are determined and losses distributed among institutions.

Other

The premium rates are determined, as stipulated in the Article 51 of the Deposit Insurance Law, so as to balance out over the long term, the costs expected to be incurred through payout, financial assistance and other operations of the DICJ except those incurred in connection with implementing crisis management operations. If the accumulated funds are insufficient to cover the costs at the time of the failure, the DICJ borrows, primarily from the market, to finance operations for the resolution, and repays the debt with annual revenues for the following years. When the amount of financial assistance is expected to exceed the estimated cost for payout provided as a crisis management operation, the DICJ shall transfer the excess over the estimated cost of payout from the "Crisis Management Account" to the "General Account". When the Prime Minister and the Minister of Finance deem that contributions by financial institutions for the Crisis Management Account are necessary and determine a contribution rate and a period of payment, financial institutions pay contributions to the DICJ in addition to ordinary premiums.

8.1.13 Which of the following sources of additional funding, for emergency or liquidity purposes, does the DIS have access to?

Access to private markets

null|with government guarantee|null|

8.1.14 Are member institutions required by law to issue, on a regular basis, subordinated debt?

No

Section 9: Reimbursing Depositors

9.1.1 Please describe the procedure for reimbursing depositors used by your DIS?

1. Name-based aggregation of deposits held by the same depositor: When a financial institution fails, several deposits held by the same depositor in the failed financial institution are aggregated in order to determine the insured deposit amount for each depositor. 2. Calculation of insured deposit amount: When the principal of insured deposits other than deposits for payment and settlement purposes exceeds JPY10 million and two or more deposits are realized as a result of aggregation, the principal of JPY10 million is identified in the priority order stipulated in the Deposit Insurance Law. 3. Repayment of insured deposits (financial assistance method): Under the financial assistance method, after calculating the insured deposit amount for each depositor through the name-based aggregation of deposits held by a same depositor, the DICJ notifies the failed financial institution of the result. The failed financial institution then prepares to repay insured deposits based on the data. 4. Insurance pay-out (Insurance pay-out method): In case of the insurance pay-out method, a depositor is supposed to fill out and submit the insurance claim form, which is mailed to each depositor after a failure, to the DICJ together with his/her identification document. The depositor may then, in principle, receive payment of the insurance proceeds by bank transfer.

9.1.2 Are depositors required to file a claim when a member institution fails? If so, what is the process?

Yes

Please refer to #9.1 above, 4. Insurance pay-out (the insurance pay-out method).

9.1.3 When is the DIS obligated to reimburse insured depositors?

When a financial institution suspends repayment of deposits, the DICJ decides whether or not to make insurance payment within one month after the occurrence of such insurable contingency, subject to a resolution by the Policy Board (if necessary, this period may be extended another month).

9.1.4 Is there an established legal basis upon which to base the reimbursement process? Please explain.

No

9.1.5 Is the DIS subject to explicit standards for prompt reimbursement? If so what are they?

No

9.1.6 What methods of payment can be used and under what circumstances are they used?

Please refer to #9.1 above, 3. Financial assistance method, and 4. Insurance pay-out method. The financial assistance method is considered preferable from the viewpoint of least cost principle.

9.1.7 Are the rules regarding clearing, set-off, trust accounts, and related issues well defined (through the legal system or formal agreement)? Please explain.

Yes

9.1.8 What are financial institutions obligated to hold with respect to deposit records?

Financial institutions are obliged by law to continuously maintain depositors data needed for the name-based aggregation (of deposits held by a same depositor), as well as promptly submitting such depositors' data to the DICJ in the event of failure. The standardized format for data submitted to the DICJ by financial institutions is defined as the "DICJ Prescribed Format". This includes information such as the depositor's name written in "kana" (the Japanese syllabary), date of birth, address (in the case of a corporation, its name written in "kana", date of establishment and location), telephone number, account number, and principal of deposit and interest thereon.

9.1.9 When is the DIS given access to an institutions financial and depositor records?

The Deposit Insurance Law provides that the Prime Minister (granting authorization to the Commissioner of the FSA) may, when deeming it necessary to ensure that the provisions of the Law are implemented efficiently, authorize the DICJ to conduct on-site inspections of financial institutions. The scope of on-site inspections that may be undertaken by the DICJ is defined in Article 137, paragraph 6 of the Deposit Insurance Law. Namely, the DICJ may conduct inspections to check, (1) "that payment of insurance premiums is being made properly"; (2) "that measures are being implemented to prepare databases, electronic data processing systems and other relevant measures for aggregating data related to deposits held by the same depositor, as obligatory to financial institutions"; and (3) "the estimated amount to be repaid on deposits and other claims when a financial institution has been made subject to bankruptcy proceedings". Penal provisions also exist for cases including evasion of these on-site inspections (Article 143, paragraph 2 of the Deposit Insurance Law). Furthermore, when deeming it necessary for the performance of its operations, the DICJ may request financial institutions to submit relevant materials. Any party who fails to submit materials or submits falsified materials as stipulated under the provisions of the Deposit Insurance Law shall be subject to a fine of not more than JPY300,000.

9.1.10 Does the DIS have the option of making advance payments to depositors in situations of dire need (i.e. in an emergency)?

Yes

Partial payments (limited to ¥600,000 per ordinary deposits account) may be made to cover the immediate living expenses of depositors, when it is anticipated that insurance payments will not begin for a considerable length of time.

9.1.11 Does the DIS make interest payments to depositors during the time taken for reimbursement? Please explain.

Other

Yes, for insured deposits, but no for uninsured deposits.

9.1.12 What information is communicated to depositors regarding the reimbursement process?

In case of the financial assistance method, the DICJ announces the coverage limit and reopening business of the failed financial institution. In case of the straight deposit payout, the DICJ announces the coverage limit, and the outline of process and anticipated timing of the insured deposit payout. The DICJ also sends a letter to each insured depositor to notice the amount of reimbursement. If the DICJ decides to make a partial payment or purchase deposits and other claims, the DICJ announces the outline of the process.

9.1.13 What process does the DIS use to ensure that depositor secrecy and confidentiality is maintained during the reimbursement process?

All the staff of DICJ have obligation of confidentiality by the Deposit Insurance Law and the access to depositors' records is limited and secured physically and electronically.

9.1.14 What steps are taken to verify, reconcile and settle insured deposit accounts?

In the process of name-based aggregation of deposits held by the same depositor.

9.1.15 What steps are taken to ensure that an institutions depositor records are accurate, up to date and accessible?

Through on-site inspections (refer to #9.9 above) and in the process of name-based aggregation of deposits held by the same depositor.

9.1.16 Does the DIS document its experiences with respect to each reimbursement action (i.e. lessons learned) in order to allow for continuous improvement?

Other

The DICJ has no experience of pay-out so far.

9.1.17 What technologies does the DIS use to facilitate the reimbursement process?

N/A

Section 10: Public Information & Awareness

10.1.1 What obligations are there to inform the public?

In order to further deepen public awareness of the deposit insurance system and the DICJ itself, the DICJ has carried out proactive public relations activities in close cooperation with the Financial Services Agency and the Bank of Japan.

10.1.2 Who is responsible for communicating information about the DIS to the general public?

DIC, Supervisor, Regulator

null|Ministry of Finance and Financial Services Agency|Ministry of Finance and Financial Services Agency|null|null|null|

10.1.3 Are these explicitly stated in policy or law?

No

10.1.4 Are the terms and conditions of DIS explained in a manner that the general public can understand fully?

Yes

10.1.5 If so, what methods are utilized?

Brochures, Telephone call center, Website

null|null|null|null|null

10.1.6 At what point is information disclosed to the public about an institution that is having problems and how is information disclosed?

At the time when a financial institution failed.

10.1.7 Has a survey of public awareness about the DIS been conducted? If so/ what were the results? If not why not? Please include supporting documentation.

Yes

(1) Nearly 80% of the respondents knew about the deposit insurance system. (2) Regarding the scope of protection, 93% recognized the coverage limit of ordinary deposits. Knowledge about the member institutions including the Japan Post Bank was relatively high (40-45%). On the other hand, only about 20% of the respondents understood that foreign branches of member institutions and branches of foreign banks in Japan are not included in the system, and that deposits for payment and settlement purposes are fully covered. (3) In contrast with nearly 80% recognition of the deposit insurance system, the percentage of respondents who knew that the DICJ operates the deposit insurance system plummeted to 35.4%.

10.1.8 Has the DIS ever embarked on a public awareness campaign to increase awareness and knowledge? If yes, how many times has this been done and when was the last time?

Yes

Refer to #10.9 below.

10.1.9 Please describe the approach used; objectives, target audience, communication strategy, and timing results.

PR activities of the DICJ in FY2007 include: (1) conducting a survey about public awareness of the deposit insurance system and the DICJ; (2) broadcasting commercial message on radio; (3) sending a lecturer to seminars and meetings to promote public awareness; (4) contributing reports to financial specialty journals; (5) positively cooperating news gathering activities of mass media; and (6) further developing and enhancing contents of the web site.

Section 11: Risk Assessment & Intervention

11.1.1 Does the DIS have a risk monitoring function to analyze and assess the risk of member financial institutions?

No

11.1.2 Does the DIS perform examinations of its member institutions? If not, who does?

No

FSA

11.1.3 Does the DIS receive information/data/statistics directly from its member institutions or from a third party, such as a regulator or supervisor? If so what

information is received and how often?

Yes

The Deposit Insurance Law provides that: 1. When deeming it necessary for the performance of its operations, the DIC may request financial institutions to submit relevant materials. 2. Financial institutions that have been requested to submit materials under the provisions of the preceding paragraph shall, without delay, comply with said request. 3. The DIC may require the present or former directors (or the party acting in a capacity similar to director if the failed financial institution is a Shinkin bank or the Shinkin Central Bank, a credit cooperative or the Shinkumi Federation Bank, or a labor bank or the Rokinren Bank [hereinafter “Shinkin bank, etc.”]), auditors (or the party acting in a capacity similar to auditor if the failed financial institution is a Shinkin bank, etc.), managers (or the party acting in a capacity similar to managers if the failed financial institution is a credit cooperative or the Shinkumi Federation Bank, or a labor bank or the Rokinren Bank), or other employees of a failed financial institution to submit reports in connection with the business and asset situation of said failed financial institution (provided, however, that any report submitted by persons who were formerly such persons shall be limited to matters they were able to ascertain during the time in which they were engaged in the operations of said failed financial institution), or may inspect the ledgers, documents and other related materials of a failed financial institution. 4. When deemed particularly necessary by the DIC and requested for the performance of its operations, the Bank of Japan or national, metropolitan or prefectural governments may submit materials to the DIC or allow it to disclose them.

11.1.4 What is the risk assessment approach used by the DIS to monitor financial institutions? Please describe. Please be sure to include the criteria used to determine member institution risk.

N/A

11.1.5 Please list and describe the actions taken by the DIS in situations where member institutions are causing concern. Please indicate when coordination occurs with other supervisory/regulatory authorities and the mechanisms used.

N/A

Section 12: Failure Resolution

12.1.1 Is your DIS involved in the failure resolution of member institutions?

Yes

12.1.2 Who determines whether a member institution has failed or is insolvent?

The Commissioner of FSA

12.1.3 Under what conditions can the DIS cancel/terminate the deposit insurance of a member institution?

N/A

12.1.4 How is the failure/non viability of a member institution determined?

A failed financial institution is defined in the Deposit Insurance Law as a financial institution that has suspended repayment of deposits, etc., or is at risk of suspending repayment thereof, due to business conditions or the situation of its assets.

12.1.5 How many member institutions have failed in your country in the last 20 years?

180

12.1.6 Do banks go through the regular corporate bankruptcy process? If no, what is the process used?

No

Banks are processed under the court-guided rehabilitation law.

12.1.7 Is the receiver of failed institutions also the one that disposes of the institutions? If not, who does?

Yes

12.2 Which methods of failure resolution are used in your country to deal with failures. Also, please indicate the frequency of use of the various methods in the last 20 years.

12.2.1 Formal liquidation

No

12.2.2 Purchase and assumption (sale and merger)

Other

The main method is financial assistance to the assuming financial institutions (180 cases).

12.2.3 Open bank assistance (e.g. recapitalization)

Other

The DICJ undertakes operations related to capital injection into financial institutions under relevant laws (37 cases).

12.2.4 Bridge banks and other interim solutions

Yes

2

12.2.5 What criteria are used to determine the method of failure resolution?

Least cost principle.

12.2.6 Is the deposit insurer required to resolve failed or failing insured depository institutions in a manner that is least costly to the DIS?

Yes

12.2.7 Please indicate what kind of private companies, if any, are included in the failure resolution process?

Lawyers, banking practitioners and CPAs could be included.

Section 13: Claims, Recoveries & Estate Management

13.1.1 Does the DIS play a role in the claims and recoveries process? If yes please describe this role

Yes

Purchasing the assets of failed financial institutions is one form of financial assistance to assuming financial institutions. The DICJ, on accepting an application, entrusts the purchase of the said assets (including collection, etc.) to the RCC, a 100% subsidiary of the DICJ. The RCC then purchases non-performing

assets and others from the failed financial institutions, and subjects them to collection, disposal, or other operations. Based on a Resolution and Collection Agreement with the RCC, the DICJ (1) provides the RCC with guidance and advice necessary to execute collecting operations, and (2) inspects the assets of the debtors where it is likely to be concealed, by exercising the investigative powers given to the DICJ, and provides support for the collection recovery of debts by the RCC through uncovering the hidden assets related to the loans and other claims purchased from the failed financial institutions. The DICJ has conducted these operations in order to minimize the public costs by maximizing the collection of debts through the coordination with the RCC.

13.1.2 What is the primary objective of the DIS when dealing with claims and recoveries (i.e.. maximization of nominal and present value recoveries, financial system stability, system discipline)?

Maximization of nominal and present value recoveries and financial system stability.

13.1.3 What role does the private sector play in the claims, recovery process?

Lawyers, banking practitioners and CPAs could be included in the claims, recovery process. In the purchase and assumption scheme, a private bank may serve as an assuming financial institution. In addition, the private sector purchases claims securitized by the DICJ and the RCC.

13.1.4 What approaches and strategies are adopted by the deposit insurer to accomplish the objectives of claims and recovery activities?

Based on the business direction which is reviewed annually, DICJ/RCC make best efforts to maximize collection in the standpoint of minimizing public burden. Paying attention to the time consumed, DICJ/RCC adopt appropriate methods of collection and disposal of claims, depending on the nature of such claims. In addition to conventional debt collection method, more diversified approaches including corporate revitalization method and securitization of claims are used.

13.1.5 By what standard is the DIS judged with respect to performing its function in claims and recoveries (e.g.x. Comparative private sector or DIS benchmarks, internal assessments, past experience)?

Based on internal assessments, Plan-Do-Check-Action procedure is taken. Performance of the DICJ is also audited by the Auditor who is appointed by the Prime Minister subject to the approval of both Houses of the Diet, and by the Board of Audit of Japan of which mandate is to review the public accounts by auditing constantly so that proper public accounts can be maintained and to certify the final accounts of revenues and expenditures of the state in accordance with the results of audit.

13.1.6 What assets have you found to be the hardest to recover? Why? What types of strategies have been used to recover different assets?

For DICJ/RCC, difficult recovery cases include collection work that has made little progress due to complicated relations of rights despite massive amounts of claims involved, recovery of massive assets suspected to be hidden or assets linked to a gangster. In order to deal with these cases, the DICJ is authorized to conduct investigations including inquiries of financial institutions, and on-site investigations of debtors and related parties and questioning them. The DICJ has also a power to pursue criminal liabilities against malignant debtors.

13.1.7 Does the DIS have rights of subrogation (i.e. the subrogation of insurance entity to the rights of insured depositors) or an equivalent arrangement?

Yes

The DICJ may purchase a portion in excess of ¥10 million in principal per depositor of the insured deposits other than those for payment and settlement purposes, foreign currency deposits as well as interest thereon, at a sum multiplied by a certain rate which has been determined after taking into account the estimated amount of liquidating dividend of a failed financial institution and other factors, and pay the same sum to the depositors. When the liquidation dividends and other money recovered by the DICJ exceed the purchased amount, the surplus is also paid to the depositors.

13.1.8 Is there depositor priority when banks fail? (i.e. Do depositor claims rank in priority above other unsecured creditors in the liquidation of a bank?)

No

**13.1.9 Are rights of set-off available or imposed in your country's legal system?
Please describe the various forms set-off can take.**

Yes

When a depositor has a debt from a failed financial institution, deposits may be offset against the debt if the depositor expresses the intention to offset. A depositor may offset deposits against debts for both the financial assistance and insurance pay-out methods. However, depositors may not offset when a deposit is pledged to a failed financial institution as collateral. In addition, offsetting is not available when: (1) offsetting is not allowed with a special provisions of the loan agreement, (2) a failed financial institution is under bankruptcy legislation and the scope of offsetting is limited by law, and (3) a request for the DICJ to purchase deposits and other claims or to receive the payment of insurance on the deposits to be offset has been made and the DICJ has acquired said deposits and other claims before the offsetting.

Section 14: Other Issues

14.1.1 What is your view on recent trends and emerging issues in the financial sector in your country and the potential impact they might have on the DIS?

At sight of the circumstances surrounding the deposit insurance system in recent years, as financial institutions have further developed diversification of their services, and financial markets and financial transactions are expected to be more invigorated, liberalized and sophisticated, autonomy, self-help and advanced risk management are required for participants in the financial transactions. At the same time, fair market principles, consumer protection and ensuring of appropriate safety-net are increasingly important. Under these circumstances, the DICJ considers it important to adequately accomplish its mission in the framework of limited coverage of deposits. For that purpose, the DICJ sets better preparing for failure resolutions, accelerating business processing of failure resolutions in the past and enhancing its financial strength as its goal.

14.1.2 Are there any issues related to deposit insurance which you would like to see more research in?

1. Risk based premiums, 2. Deposit insurance fund, 3. Cross-border bank resolution issues, 4. Dormant deposits.