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New Regulatory Agenda in Japan: Impact of Crisis Lessons

Tatsuo Yamasaki

Leaders' Statement of The G20 Pittsburgh Summit (September 2009)

We task the IMF to prepare a report for our next meeting with regard to the range of options countries have adopted or are considering as to how the financial sector could make a fair and substantial contribution toward paying for any burdens associated with government interventions to repair the banking system.

(Paragraph 16)



1

What's Systemic Risk ?

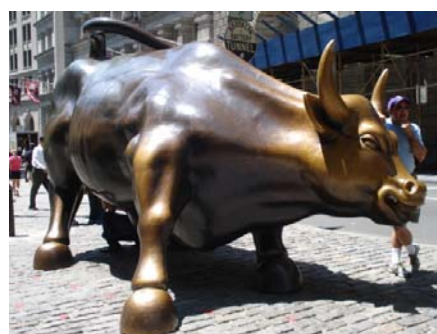
- 3 factors in the international discussion
 - Size, Inter-connectedness, Substitutability
- Consideration
 - Size is not definitive
 - Need to see liability/asset structure of financial institutions



2

Framework for Mitigating Systemic Risk

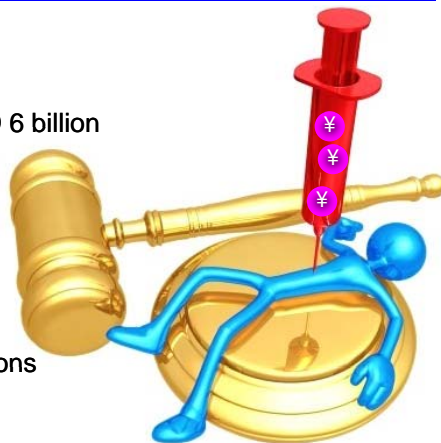
- Capital Requirement (Solvency Margin)
- Deposit Insurance System
- Crisis Management Measures
- Policyholders Protection Corporation
- Investor Protection Fund
- Robust Supervision/Inspection



3

Japanese Safety-net for Deposit-taking Financial Institutions

- (1) Deposit Insurance System
 - Guarantee: up to 10 million yen(USD100,000)
 - Total amount of insurance fee: USD 6 billion in 2008
- (2) Crisis Management
 - (a) Extraordinary Measures
 - Capital Injection
 - Unlimited Deposit Insurance
 - Temporary Nationalisation
 - (b) Ex-post levies on financial institutions (for costs exceeding payout cost)
 - (c) Responsibility of Management/Shareholder
 - Management: required to submit business improvement plan
 - Shareholder: reduction of shares as necessary



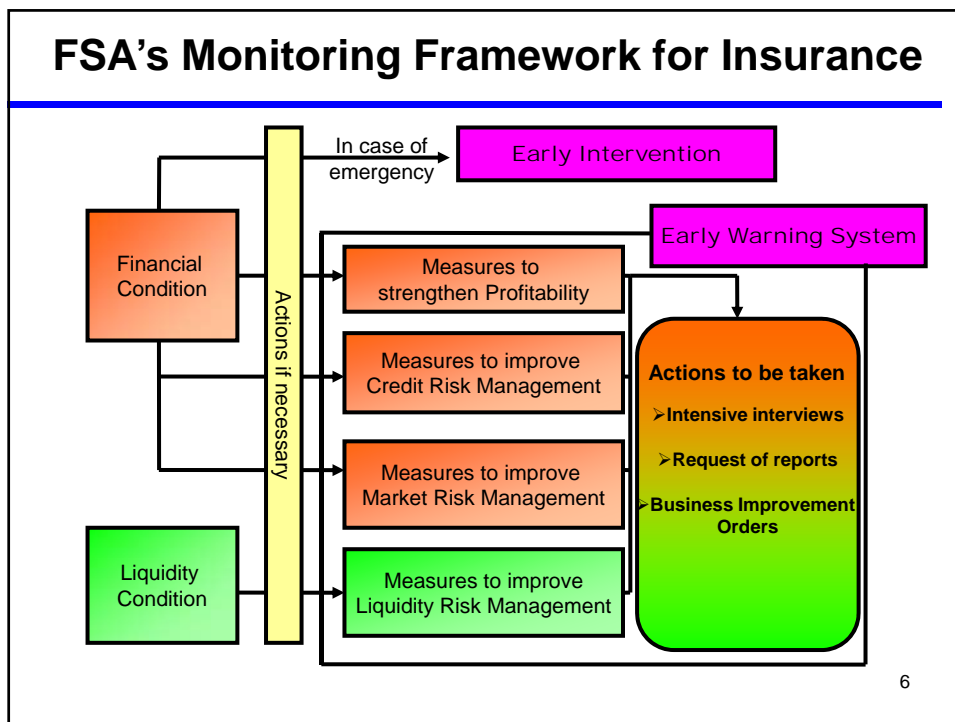
4

Japanese Safety-net for Insurance

- Separate safety-net corporations for life insurance and non-life insurance
- Both safety-net corporations guarantee 90% of the technical provision
- Member companies prefund the reserves, (Insurance: US\$490mn per annum for insurance up to US\$ 4.9bn, Non-insurance: US\$53mn per annum for non-insurance up to US\$530mn)
- Government support for bank-lending is provided to life insurance safety-net corporation at contingency



5



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April 2010

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**Any views expressed in this presentation are those of the author, and not necessarily the official views of the FSA.*