

# Progress in the Implementation of G20/FSB Recommendations – June 2012

**Jurisdiction:** JAPAN

## **Index**

1. Refining the regulatory perimeter
  2. Enhancing supervision
  3. Building and implementing macro-prudential frameworks and tools
  4. Improving oversight of credit rating agencies
  5. Enhancing and aligning accounting standards
  6. Strengthening adherence to international financial standards
  7. Enhancing risk management
  8. Strengthening deposit insurance
  9. Safeguarding the integrity and efficiency of financial markets
  10. Enhancing consumer protection
- Index of acronyms

# (# in brackets are from 2011 template)	G20/FSB Recommendations		Deadline	Progress to Date	Planned Next Steps	
<b>1. Refining the regulatory perimeter</b>						
1 (new)	Cannes	Strengthening the oversight of shadow banking	We agree to strengthen the regulation and oversight of the shadow banking system. <sup>1</sup>	Ongoing	<p>Implementation ongoing:</p> <input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by <input type="checkbox"/> Draft regulations/guidelines published as of <input type="checkbox"/> Final rules expected to be in force by	<p>Planned actions (if any):  From here on, Japan will participate proactively in international discussion on shadow banking in the FSB and IOSCO. The FSA will monitor concentration of risk and spillover paths in the entire financial system.</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>
2 (11)	(Lon)	Review of the boundaries of the regulatory framework	We will each review and adapt the boundaries of the regulatory framework to keep pace with	Ongoing	<p>Implementation ongoing:</p> <input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by <input type="checkbox"/> Draft regulations/guidelines published as of <input checked="" type="checkbox"/> Final rules expected to be in force by <p>Others, please specify: Ongoing</p> <p>Completed as of.</p> <p>Overview (short description) of action(s) taken: Japan participates proactively in international discussion on shadow banking in the FSB and IOSCO.</p> <p>Web-links to relevant documents:</p>	<p>Planned actions (if any):  The FSA has already taken various measures on this issue, and continues to participate in the international discussion actively. The FSA will consider taking</p>

<sup>1</sup> For this survey, the focus is exclusively on the recommendations for monitoring the shadow banking system, discussed in section 2 of the October 2011 FSB report: “Shadow Banking: Strengthening Oversight and Regulation”, which is available here: [http://www.financialstabilityboard.org/publications/r\\_111027a.pdf](http://www.financialstabilityboard.org/publications/r_111027a.pdf).

# (# in brackets are from 2011 template)	G20/FSB Recommendations		Deadline	Progress to Date	Planned Next Steps
		developments in the financial system and promote good practices and consistent approaches at an international level.		<p>Nov 2012</p> <p><input type="checkbox"/> Others, please specify:</p> <p><input type="checkbox"/> Completed as of</p> <p>Overview (short description) of action(s) taken:  Based on the international discussion, the FSA has been conducting necessary reviews of regulations, such as the introduction of a registration system for CRAs.  On January 21, 2010, the FSA published the “Development of Institutional Frameworks Pertaining to Financial and Capital Markets” which includes policy approaches on OTC derivatives, hedge funds and securities companies on a consolidated basis, based on international discussions such as the G20, etc. The FSA submitted the relevant draft bill to the Diet on March 9, 2010, which was established in May 12 and promulgated in May 19, 2010. The Act, Cabinet Order and Cabinet Office Ordinance relating to regulations on hedge funds and securities companies on a consolidated basis were enforced on April 1 2011. The regulation on OTC derivatives stipulated by the above Act is scheduled to be enforced by Nov 2012.</p>	<p>appropriate measures while watching the regulatory situation in other countries and reviewing the economic environment in Japan.  The BOJ strives to identify and analyze the overall financial system and enhance the good practices through on-site examinations, off-site monitoring and the semi-annual Financial System Report.</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>



# (# in brackets are from 2011 template)	G20/FSB Recommendations			Deadline	Progress to Date	Planned Next Steps
			assessment of the systemic risks they pose individually or collectively. Where appropriate registration should be subject to a minimum size. They will be subject to oversight to ensure that they have adequate risk management.		<p>Pertaining to Financial and Capital Markets”, which includes measures to expand coverage of registration to some types of foreign investment entrustments, including foreign hedge funds, which were out of the scope of the Financial Instruments and Exchange Act. The Cabinet Order and Cabinet Office Ordinance which specify the details were enforced on April 1 2011.</p> <p>On March 4, 2010, the FSA revised, enforced and applied the Guidelines for Supervision which included measures to expand operators and items for the fund monitoring survey, leading to strengthening collection of fundamental information on various funds. The FSA has conducted the survey once a year since September, 2010.</p> <p>Web-links to relevant documents:</p> <p>"Development of Institutional Frameworks Pertaining to Financial and Capital Markets"</p> <p><a href="http://www.fsa.go.jp/en/news/2010/20100122-3.html">http://www.fsa.go.jp/en/news/2010/20100122-3.html</a></p>	
4 (14)	(Lon)	Effective oversight of cross-border funds	We ask the FSB to develop mechanisms for cooperation and information sharing	End-2009	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p>	<p>Planned actions (if any):</p> <p>The FSA will continue the efforts.</p> <p>Expected commencement date:</p>

# (# in brackets are from 2011 template)	G20/FSB Recommendations			Deadline	Progress to Date	Planned Next Steps
			<p>between relevant authorities in order to ensure effective oversight is maintained when a fund is located in a different jurisdiction from the manager. We will, cooperating through the FSB, develop measures that implement these principles by the end of 2009.</p>		<p><input type="checkbox"/> Final rules expected to be in force by</p> <p><input type="checkbox"/> Others, please specify:</p> <p><input checked="" type="checkbox"/> Completed as of N.A.</p> <p>Overview (short description) of action(s) taken: The FSA has been trying to strengthen information sharing among authorities and has been cooperating actively with the FSB.</p> <p>Web-links to relevant documents:</p>	<p>Web-links to relevant documents:</p>
5 (15)	(Lon)	Effective management of counter-party risk associated with hedge funds	Supervisors should require that institutions which have hedge funds as their counterparties have effective risk management, including mechanisms to monitor the funds' leverage and set limits for single counterparty exposures.	Ongoing	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p> <p><input type="checkbox"/> Others, please specify:</p> <p><input checked="" type="checkbox"/> Completed as of Aug 2008</p> <p>Overview (short description) of action(s) taken:</p>	<p>Planned actions (if any): The FSA has already taken various measures on this issue and will continue the efforts. The FSA and BOJ will continue to check the risk management of institutions that have hedge funds as their counterparties through supervision/monitoring and inspection/examinations.</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

# (# in brackets are from 2011 template)	G20/FSB Recommendations			Deadline	Progress to Date	Planned Next Steps
					<p>The FSA revised the Guidelines for Supervision and the Inspection Manual to strengthen banks' and insurance companies' management of credit risks regarding the counterparties, including hedge funds (August, 2008).</p> <p>Web-links to relevant documents:</p>	
6 (16)	(FSF 2008)	Guidance on the management of exposures to leveraged counterparties	II.17 Supervisors will strengthen their existing guidance on the management of exposures to leveraged counterparties	Ongoing	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p> <p><input type="checkbox"/> Others, please specify:</p> <p><input checked="" type="checkbox"/> Completed as of Aug 2008</p> <p>Overview (short description) of action(s) taken: Please refer to the reply in 5. The FSA has been encouraging the efforts by financial institutions to make their risk management more sophisticated considering the revision of the Guidelines for Supervision.</p>	<p>Planned actions (if any): Please refer to the reply in 5.</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

# (# in brackets are from 2011 template)	G20/FSB Recommendations			Deadline	Progress to Date	Planned Next Steps
					Web-links to relevant documents:	
<b>(ii) Securitisation</b>						
7 (17)	(FSB 2009)	Implementation of BCBS/IOSCO measures for securitisation	<p>During 2010, supervisors and regulators will:</p> <ul style="list-style-type: none"> <li>implement the measures decided by the Basel Committee to strengthen the capital requirement of securitisation and establish clear rules for banks' management and disclosure;</li> </ul>	During 2010	<p>No response required for this survey.</p> <p>Please refer to the BCBS progress report on the Basel 2.5 adoption, available at: <a href="http://www.bis.org/publ/bcbs/b2_5prog_rep_table.htm">http://www.bis.org/publ/bcbs/b2_5prog_rep_table.htm</a></p>	
			<ul style="list-style-type: none"> <li>implement IOSCO's proposals to strengthen practices in securitisation markets.</li> </ul>		<p>Implementation ongoing:</p> <input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by <input type="checkbox"/> Draft regulations/guidelines published as of <input type="checkbox"/> Final rules expected to be in force by  <input type="checkbox"/> Others, please specify:	<p>Planned actions (if any):</p> <p>The FSA will contribute to the development of the discussions through the discussion in the IOSCO and take appropriate measures based on the discussions.</p> <p>Expected commencement date:</p>

# (# in brackets are from 2011 template)	G20/FSB Recommendations			Deadline	Progress to Date	Planned Next Steps
					<input checked="" type="checkbox"/> Completed as of Jun 2009  Overview (short description) of action(s) taken: The FSA revised the Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc. in order to ensure the traceability of original assets of securitized products (April 2008). The FSA clarified in the Guidelines for Supervision that some points, including the following, would be within the scope of supervisory reviews in order for financial institutions to strengthen the management of market risk and credit risk related to investment in marketable credit products and securitization (August 2008). 1) The valuation of financial products, including securitized products, as objective as possible 2) An appropriate understanding of the nature of financial products, including securitized products, for example, avoiding excessive dependence on external ratings 3) The proper management of market liquidity risk related to investment in financial products including securitized products 4) A study on risks including the pipeline risk in originating securitized products	Web-links to relevant documents:



# (# in brackets are from 2011 template)	G20/FSB Recommendations			Deadline	Progress to Date	Planned Next Steps
			risk of the underlying assets, thus encouraging them to act prudently.		<p>for free in principle when financial institutions use external ratings related to securitized products in Basel II (the end of March 2007).</p> <p>Concerning “ Enhancements to the Basel framework ” published by the BCBS in July, 2009, the FSA has publicized the final domestic rules, including measures to strengthen regulation on securitized products, e.g., raising risk-weights on re-securitized products, in May 2011. It has been implemented from the end 2011.</p> <p>Web-links to relevant documents:</p>	
9 (19)	(FSF 2008)	Strengthening of regulatory and capital framework for monolines	II.8 Insurance supervisors should strengthen the regulatory and capital framework for monoline insurers in relation to structured credit.	Ongoing	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p> <p><input type="checkbox"/> Others, please specify:</p> <p><input checked="" type="checkbox"/> Completed as of Apr 2010</p> <p>Overview (short description) of action(s) taken:</p>	<p>Planned actions (if any):</p> <p>The FSA has already taken various measures on this issue and will continue the efforts.</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

# (# in brackets are from 2011 template)	G20/FSB Recommendations			Deadline	Progress to Date	Planned Next Steps
					<p>The FSA clarified the supervisory review points in the Guidelines for Supervision in order to strengthen risk management conducted by insurance companies, including monoline insurers, related to credit investment in financial products, such as securitized products, financial guarantee insurance and CDS(June 2009).</p> <p>The FSA revised Public notice to refine risk factors of financial products, such as securitized products, under the solvency margin regulation on April 2010.</p> <p>Web-links to relevant documents:</p>	
10 (20)	(FSF 2008)	Strengthening of supervisory requirements or best practices for investment in structured products	II.18 Regulators of institutional investors should strengthen the requirements or best practices for firms' processes for investment in structured products.	Ongoing	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input checked="" type="checkbox"/> Final rules expected to be in force by Nov 2012</p> <p><input type="checkbox"/> Others, please specify:</p> <p><input type="checkbox"/> Completed as of</p> <p>Overview (short description) of action(s) taken: On January 21, 2010, the FSA published the</p>	<p>Planned actions (if any): The FSA has already taken various measures to enhance risk management. We will contribute to the development of the discussions through the work stream on Ratings and Securitization in the BCBS and take appropriate measures based on the discussions.</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

# (# in brackets are from 2011 template)	G20/FSB Recommendations			Deadline	Progress to Date	Planned Next Steps
					<p>“Development of Institutional Frameworks Pertaining to Financial and Capital Markets” which includes,</p> <ol style="list-style-type: none"> <li>1) Making it possible <ul style="list-style-type: none"> <li>- for information on OTC derivative transactions to be submitted to the authority from trade repositories and from CCPs, and</li> <li>- for the authority to require that financial institutions submit information directly to it.</li> </ul> </li> <li>2) Introducing regulation and supervision on a consolidated basis for securities companies such as those providing large-scale and complex services as an entire group, to set reporting and inspection requirement on sister companies and other group companies.</li> <li>3) Expanding the items to be reported by hedge fund managers to the authorities, including reports on the risk management related to managed assets.</li> </ol> <p>The FSA submitted the relevant draft bill to the Diet on March 9, 2010, which was established in May 12 and promulgated in May 19, 2010. The bill, Cabinet Order and Cabinet Office Ordinance relating to 2) and 3) were enforced on April 1 2011. The regulation relating to 1) is scheduled to be enforced by November 2012.</p> <p>Based on the institution of consolidated regulation and supervision of securities companies, the supervisory viewpoints on entire groups’ integrated risk management</p>	

# (# in brackets are from 2011 template)	G20/FSB Recommendations			Deadline	Progress to Date	Planned Next Steps
					<p>system; etc, were added in the supervisory guideline on April 2011.</p> <p>The FSA/BOJ/SESC (Securities and Exchange Surveillance Commission) are gathering relevant information regarding the risk management of financial institutions through their on-site inspection/examination and off-site monitoring.</p> <p>Web-links to relevant documents:</p> <p>"Development of Institutional Frameworks Pertaining to Financial and Capital Markets"  <a href="http://www.fsa.go.jp/en/news/2010/20100122-3.html">http://www.fsa.go.jp/en/news/2010/20100122-3.html</a></p>	
11 (21)	(FSF 2008)	Enhanced disclosure of securitised products	III.10-III.13 Securities market regulators should work with market participants to expand information on securitised products and their underlying assets.	Ongoing	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p> <p><input type="checkbox"/> Others, please specify:</p> <p><input checked="" type="checkbox"/> Completed as of Jun 2009</p> <p>Overview (short description) of action(s)</p>	<p>Planned actions (if any): The FSA has already taken various measures regarding this issue and will continue the efforts.</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

# (# in brackets are from 2011 template)	G20/FSB Recommendations		Deadline	Progress to Date	Planned Next Steps
				<p>taken: The FSA revised the Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc. in order to ensure the traceability of underlying assets of securitized products. The “WG on Distributions of Securitized Products” of Japan Securities Dealers Association (JSDA) established and enforced the “Regulations Concerning Distributions, etc. of Securitized Products,” which is self-regulation communication of information related to the contents and risks of underlying assets (June 2009).</p> <p>Web-links to relevant documents:</p>	
<b>2. Enhancing supervision</b>					
12 (5)	(Pitts)	Consistent, consolidated supervision and regulation of SIFIs	All firms whose failure could pose a risk to financial stability must be subject to consistent, consolidated supervision and regulation with high standards.	<p>Ongoing</p> <p>Implementation ongoing:</p> <input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by <input type="checkbox"/> Draft regulations/guidelines published as of <input type="checkbox"/> Final rules expected to be in force by  <input type="checkbox"/> Others, please specify:  <input checked="" type="checkbox"/> Completed as of Mar 2012	<p>Planned actions (if any): The FSA and BOJ will continue to actively take part in the discussion on addressing systemically important financial institutions at the FSB, the BCBS and etc.</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

# (# in brackets are from 2011 template)	G20/FSB Recommendations			Deadline	Progress to Date	Planned Next Steps
					<p>Overview (short description) of action(s) taken:  On January 21, 2010, the FSA published the “Development of Institutional Frameworks Pertaining to Financial and Capital Markets” which includes,</p> <ol style="list-style-type: none"> <li>1) Introducing regulation and supervision on a consolidated basis for securities companies, such as those providing large-scale and complex services as an entire group, whose overall operations and risks might be hard to identify under the current non-consolidated-based regulation and supervision,</li> <li>2) Introducing prudential standards on a consolidated basis for insurance companies.</li> </ol> <p>As for 1), the FSA submitted the relevant draft bill to the Diet on March 9, 2010, which was established on May 12 and promulgated on May 19, 2010. The Cabinet Order and Cabinet Office Ordinance were enforced on April 1, 2011.</p> <p>As for 2), the registration system on the consolidated Solvency Margin Ratio was enforced in March 2012.</p> <p>Web-links to relevant documents:</p> <p>"Development of Institutional Frameworks Pertaining to Financial and Capital</p>	

# (# in brackets are from 2011 template)	G20/FSB Recommendations		Deadline	Progress to Date	Planned Next Steps	
				Markets" <a href="http://www.fsa.go.jp/en/news/2010/20100122-3.html">http://www.fsa.go.jp/en/news/2010/20100122-3.html</a>		
13 (8)	(Lon)	Establishment of Supervisory colleges	To establish the remaining supervisory colleges for significant cross-border firms by June 2009.	June 2009 (for establishing supervisory colleges)	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p> <p><input type="checkbox"/> Others, please specify:</p> <p><input checked="" type="checkbox"/> Completed as of N.A.</p> <p>Overview (short description) of action(s) taken: In the supervision of financial institutions, Japan is engaged in cooperation with foreign authorities through bilateral communications and multilateral supervisory colleges. For instance, the FSA in cooperation with the BOJ hosts supervisory colleges of major financial institutions in Japan and participates in supervisory colleges of major financial institutions in other jurisdictions.</p> <p>Web-links to relevant documents:</p>	<p>Planned actions (if any): Japan has already held some supervisory colleges and will intend to hold ones on other companies as needed.</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

# (# in brackets are from 2011 template)	G20/FSB Recommendations		Deadline	Progress to Date	Planned Next Steps	
14 (8)	(Seoul)	Conducting risk assessments through international supervisory colleges	We agreed to conduct rigorous risk assessment on these firms through international supervisory colleges ...	Ongoing	<p>Implementation ongoing:</p> <input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by <input type="checkbox"/> Draft regulations/guidelines published as of <input type="checkbox"/> Final rules expected to be in force by  <input type="checkbox"/> Others, please specify:  <input checked="" type="checkbox"/> Completed as of N.A.  <p>Overview (short description) of action(s) taken:  Japan exchanges information on the group structure, consolidated capital/risk, internal transaction and internal management functions of financial institutions through supervisory colleges in order to monitor risk.</p> <p>Web-links to relevant documents:</p>	<p>Planned actions (if any):  Japan has already held some supervisory colleges and will intend to hold ones on other companies as needed.</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>
15 (9)	(FSF 2008)	Supervisory exchange of information and coordination	V.7 To quicken supervisory responsiveness to developments that have a common effect across a number of	Ongoing	<p>Implementation ongoing:</p> <input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by <input type="checkbox"/> Draft regulations/guidelines published as of <input type="checkbox"/> Final rules expected to be in force by	<p>Planned actions (if any):  The FSA and BOJ have already taken various measures on this issue and will continue the efforts to strengthen the coordination among authorities at both national and international levels.</p>

# (# in brackets are from 2011 template)	G20/FSB Recommendations			Deadline	Progress to Date	Planned Next Steps
			institutions, supervisory exchange of information and coordination in the development of best practice benchmarks should be improved at both national and international levels.		<input type="checkbox"/> Others, please specify:  <input checked="" type="checkbox"/> Completed as of N.A.  Overview (short description) of action(s) taken: Japan exchanges information, in coordination with other countries, through supervisory colleges. As a FSB report states, Japan demonstrates sufficient strong adherence to cooperation and information exchange standards. (See FSB report: "Global adherence to regulatory and supervisory standards on international cooperation and information exchange")  Web-links to relevant documents:  "Global adherence to regulatory and supervisory standards on international cooperation and information exchange" <a href="http://www.financialstabilityboard.org/publications/r_111102.pdf">http://www.financialstabilityboard.org/publications/r_111102.pdf</a>	Expected commencement date:  Web-links to relevant documents:
16 (10)	(Seoul)	More effective oversight and supervision	We agreed that supervisors should have strong and unambiguous	Ongoing	Implementation ongoing: <input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by <input type="checkbox"/> Draft regulations/guidelines published	Planned actions (if any):  Expected commencement date:

# (# in brackets are from 2011 template)	G20/FSB Recommendations		Deadline	Progress to Date	Planned Next Steps
		<p>mandates, sufficient independence to act, appropriate resources, and a full suite of tools and powers to proactively identify and address risks, including regular stress testing and early intervention.</p>		<p>as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p> <p><input type="checkbox"/> Others, please specify:</p> <p><input checked="" type="checkbox"/> Completed as of N.A.</p> <p>Overview (short description) of action(s) taken:</p> <p>The FSA is explicitly authorized by the law to conduct inspection and supervision of financial institutions. The BOJ carries out on-site examinations and off-site monitoring, for achieving the purpose of the BOJ's act.</p> <p>The FSA revised the Inspection Manual and established a new department, with the aim of capturing and analyzing risks in the financial market and the financial system at an early stage.</p> <p>Japan has been implementing various types of stress tests to capture risks in the financial system.</p> <p>The FSA has in place "Early intervention measures" and "Early warning system" so that the FSA could achieve early interventions and warnings in an effective way when risks in financial institutions materialize.</p>	<p>Web-links to relevant documents:</p>

# (# in brackets are from 2011 template)	G20/FSB Recommendations			Deadline	Progress to Date	Planned Next Steps
					Web-links to relevant documents:	
17 (12)	(FSF 2008)	Supervisory resources and expertise to oversee the risks of financial innovation	V.1 Supervisors should see that they have the requisite resources and expertise to oversee the risks associated with financial innovation and to ensure that firms they supervise have the capacity to understand and manage the risks.	Ongoing	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p> <p><input type="checkbox"/> Others, please specify:</p> <p><input checked="" type="checkbox"/> Completed as of N.A.</p> <p>Overview (short description) of action(s) taken:  The FSA established a specialized office that collects and analyzes information related to financial system risks and is trying to advance risk analysis. Besides cultivating and utilizing staffs' expertise internally, the FSA and BOJ have been employing professionals actively from the private sector (including system/market risk experts, actuaries, lawyers and public certified accountants). In order to respond properly to sophistication and complication of financial activities, the FSA and BOJ have conducted effective and efficient inspection and/or</p>	<p>Planned actions (if any):  The FSA and BOJ continue to enhance the capability to collect and analyze information on both macro- and micro-economic fronts and cooperation with relevant domestic and foreign authorities as well as to employ external professionals actively and to make efforts to monitor market trends from the macro-prudential viewpoint overlooking the entire financial system.</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

# (# in brackets are from 2011 template)	G20/FSB Recommendations			Deadline	Progress to Date	Planned Next Steps
					<p>supervision through collecting information, analyzing the condition of the macro economy and each market such as the stock or bond market, and employing the staff with a high level of expertise. The FSA and BOJ believe that these efforts had certain effects on encouraging financial institutions to enhance their risk management.</p> <p>Web-links to relevant documents:</p>	
<b>3. Building and implementing macro-prudential frameworks and tools</b>						
18 (23)	(Lon)	Amendment of regulatory systems to take account of macro-prudential risks	Amend our regulatory systems to ensure authorities are able to identify and take account of macro-prudential risks across the financial system including in the case of regulated banks, shadow banks and private pools of capital to limit the build up of systemic risk.	Ongoing	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p> <p><input type="checkbox"/> Others, please specify:</p> <p><input checked="" type="checkbox"/> Completed as of N.A.</p> <p>Overview (short description) of action(s) taken: The FSA hosted supervisory colleges for important financial institutions to enable authorities to collect relevant information. The FSA is designated to stabilize the</p>	<p>Planned actions (if any): The FSA will continue to identify risks to the overall financial system promptly and properly through such measures as strengthening its supervisory systems and deepening cooperation with the BOJ and foreign authorities, while considering the lessons from the current global financial crisis and development in other countries. The BOJ also strives to identify risks of the overall financial system promptly and properly through on-site examinations and off-site monitoring.</p> <p>Expected commencement date:</p>

# (# in brackets are from 2011 template)	G20/FSB Recommendations			Deadline	Progress to Date	Planned Next Steps
					<p>financial system, and it not only supervises each financial institution but also takes various measures such as strengthening its supervisory systems in order to identify risks of the overall financial system.</p> <p>Web-links to relevant documents:</p>	<p>Web-links to relevant documents:</p>
19 (24)	(Lon)	Powers for gathering relevant information by national regulators	Ensure that national regulators possess the powers for gathering relevant information on all material financial institutions, markets and instruments in order to assess the potential for failure or severe stress to contribute to systemic risk. This will be done in close coordination at international level in order to achieve as much consistency as possible across jurisdictions.	Ongoing	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input checked="" type="checkbox"/> Final rules expected to be in force by Nov 2012</p> <p><input type="checkbox"/> Others, please specify:</p> <p><input type="checkbox"/> Completed as of</p> <p>Overview (short description) of action(s) taken: Please refer to the reply in 10, 16, 17, 18.</p> <p>Web-links to relevant documents:</p> <p>"Development of Institutional Frameworks Pertaining to Financial and Capital Markets" <a href="http://www.fsa.go.jp/en/news/2010/201001">http://www.fsa.go.jp/en/news/2010/201001</a></p>	<p>Planned actions (if any): The FSA, in corporation with the BOJ, will continue to host supervisory college.</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>



# (# in brackets are from 2011 template)	G20/FSB Recommendations			Deadline	Progress to Date	Planned Next Steps
			policy frameworks and tools to limit the build-up of risks in the financial sector, building on the ongoing work of the FSB-BIS-IMF on this subject.		<p>In Japan, each authority has sufficient power and tools for macroprudential policy. Authorities exchange ideas through communication at various levels, and implement necessary policies in order to mitigate risks of the financial sector.</p> <p>Web-links to relevant documents:</p>	
21 (26)	(WAP)	Monitoring of asset price changes	Authorities should monitor substantial changes in asset prices and their implications for the macro economy and the financial system.	Ongoing	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p> <p><input type="checkbox"/> Others, please specify:</p> <p><input checked="" type="checkbox"/> Completed as of N.A.</p> <p>Overview (short description) of action(s) taken: The FSA is designated to stabilize the financial system and it not only supervises each financial institution but also takes various measures such as strengthening supervisory systems of the FSA, in order to identify risks of the overall financial system.</p>	<p>Planned actions (if any): The FSA and BOJ will continue to monitor the development of indicators such as asset prices and credit aggregates and their impacts on the macro economy and the financial system. The FSA is trying to identify risks in the overall financial system promptly and properly through such measures as strengthening the supervisory systems of the FSA and deepening cooperation with the BOJ and foreign authorities, while considering the lessons learnt from the current global financial crisis and development in other countries.</p> <p>Expected commencement date:</p>

# (# in brackets are from 2011 template)	G20/FSB Recommendations			Deadline	Progress to Date	Planned Next Steps
					<p>The BOJ reviews the development of indicators such as asset prices and credit aggregates in the semi-annual Financial System Report.</p> <p>Web-links to relevant documents:</p>	<p>Web-links to relevant documents:</p>
22 (27)	(FSF 2008)	Improved cooperation between supervisors and central banks	V.8 Supervisors and central banks should improve cooperation and the exchange of information including in the assessment of financial stability risks. The exchange of information should be rapid during periods of market strain.	Ongoing	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p> <p><input type="checkbox"/> Others, please specify:</p> <p><input checked="" type="checkbox"/> Completed as of N.A.</p> <p>Overview (short description) of action(s) taken: In Japan, the FSA is responsible for the integrated financial administration and BOJ is responsible for the central bank operation. The FSA and BOJ in close coordination take measures to capture risks in the financial system and to support the real economy through maintaining the financial intermediation function.</p>	<p>Planned actions (if any): The FSA and BOJ will continue to strengthen their coordination to capture risks in the financial system promptly and accurately.</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

# (# in brackets are from 2011 template)	G20/FSB Recommendations			Deadline	Progress to Date	Planned Next Steps
					Web-links to relevant documents:	
<b>4. Improving oversight of credit rating agencies</b>						
23 (35)	(Lon)	Registration of CRAs etc.	All CRAs whose ratings are used for regulatory purposes should be subject to a regulatory oversight regime that includes registration. The regulatory oversight regime should be established by end 2009 and should be consistent with the IOSCO Code of Conduct Fundamentals.	End-2009	<p>Implementation ongoing:</p> <input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by <input type="checkbox"/> Draft regulations/guidelines published as of <input type="checkbox"/> Final rules expected to be in force by <p><input type="checkbox"/> Others, please specify:</p> <p><input checked="" type="checkbox"/> Completed as of Apr 2010</p> <p>Overview (short description) of action(s) taken:  The Act to revise the Financial Instruments and Exchange Act (“the Act”), which introduced a registration system for CRAs, was established and promulgated in June 2009.  In December, 2009, the FSA formulated the Cabinet Order and Cabinet Office Ordinances of the Act, which included the details of the regulations on CRAs. The registration system was enforced on April 1, 2010.  On March 31, 2010, the FSA and the SESC established the Guidelines for Supervision</p>	<p>Planned actions (if any):  The FSA and the SESC will continue to properly supervise and inspect CRAs in accordance with the Guidelines for Supervision and the Inspection Manual for CRAs.</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

# (# in brackets are from 2011 template)	G20/FSB Recommendations		Deadline	Progress to Date	Planned Next Steps	
					<p>and the Inspection Manual for CRAs. They became effective on April 1, 2010. They enabled appropriate inspection and supervision of CRAs.</p> <p>Web-links to relevant documents:</p>	
24 (36)	(Lon)	CRA practices and procedures etc.	<p>National authorities will enforce compliance and require changes to a rating agency's practices and procedures for managing conflicts of interest and assuring the transparency and quality of the rating process.</p> <p>CRAs should differentiate ratings for structured products and provide full disclosure of their ratings track record and the information and assumptions that underpin the</p>	End-2009	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p> <p><input type="checkbox"/> Others, please specify:</p> <p><input checked="" type="checkbox"/> Completed as of Apr 2010</p> <p>Overview (short description) of action(s) taken: The Act to revise the Financial Instruments and Exchange Act, which introduced a registration system for CRAs, was established and promulgated in June 2009, with the aim of ensuring independence and prevention of conflicts of interests of CRAs, quality and fairness of the rating process, and transparency for market participants.</p>	<p>Planned actions (if any): The FSA and the SESC will continue to properly supervise and inspect CRAs in accordance with the Guidelines for Supervision and the Inspection Manual for CRAs.</p> <p>An effective oversight of cross-border CRAs is being facilitated through continuing bilateral dialogues concerning supervisory cooperation amongst regulators.</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

# (# in brackets are from 2011 template)	G20/FSB Recommendations		Deadline	Progress to Date	Planned Next Steps	
			<p>ratings process.</p> <p>The oversight framework should be consistent across jurisdictions with appropriate sharing of information between national authorities, including through IOSCO.</p>		<p>The Cabinet Order and Cabinet Office Ordinances were published in December 2009. The ordinances included provisions concerning differentiation of ratings for structured products and disclosures of rating history and material information used in the rating process. In addition, under the ordinances, an exemption scheme was put in place where the FSA may approve foreign registered CRAs' exemptions for certain operation control requirements, which may bring about certain overlaps or inconsistencies with regulations in such foreign jurisdiction. The new registration system was enforced on April 1, 2010. On March 31, 2010, the FSA and the SESC established the Guidelines for Supervision and the Inspection Manual for CRAs. They became effective on April 1, 2010. They enabled appropriate inspection and supervision.</p> <p>Web-links to relevant documents:</p>	
25 (37)	(FSB 2009)	Globally compatible solutions to conflicting compliance obligations for CRAs	Regulators should work together towards appropriate, globally compatible solutions (to conflicting compliance	As early as possible in 2010	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p>	<p>Planned actions (if any):</p> <p>The FSA continues to contribute to discussions at IOSCO and engage in bilateral dialogues.</p> <p>Expected commencement date:</p>

# (# in brackets are from 2011 template)	G20/FSB Recommendations			Deadline	Progress to Date	Planned Next Steps
			obligations for CRAs) as early as possible in 2010.		<input type="checkbox"/> Others, please specify:  <input checked="" type="checkbox"/> Completed as of Apr 2010  Overview (short description) of action(s) taken: To secure international consistency in regulations, the FSA has been contributing to discussions at IOSCO and bilateral dialogues. The Act to amend the Financial Instruments and Exchange Act (“the Act”), which introduced a registration system for CRAs, was established and promulgated in June 2009. In December 2009, the FSA published the Cabinet Order and Cabinet Office Ordinances of the Act, which included the details of the regulations on CRAs. Under the ordinances, an exemption scheme was put in place where the FSA may approve foreign registered CRAs' exemptions for certain operation control requirements, which may bring about certain overlaps or inconsistencies with regulations in such foreign jurisdiction. The new registration system was enforced on April 1, 2010.	Web-links to relevant documents:



# (# in brackets are from 2011 template)	G20/FSB Recommendations			Deadline	Progress to Date	Planned Next Steps
	(Cannes)		<p>induce uncritical reliance on credit ratings as a substitute for that independent evaluation.</p> <p>We reaffirm our commitment to reduce authorities' and financial institutions' reliance on external credit ratings, and call on standard setters, market participants, supervisors and central banks to implement the agreed FSB principles and end practices that rely mechanistically on these ratings.</p>			
<b>5. Enhancing and aligning accounting standards</b>						
27 (28)	(WAP)	Consistent application of high-quality accounting standards	Regulators, supervisors, and accounting standard setters, as appropriate, should	Ongoing	Implementation ongoing: <input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by <input type="checkbox"/> Draft regulations/guidelines published as of	Planned actions (if any): Discussion on application of the IFRS is underway by the Business Accounting Council, advisory body to the FSA.

# (# in brackets are from 2011 template)	G20/FSB Recommendations			Deadline	Progress to Date	Planned Next Steps
			work with each other and the private sector on an ongoing basis to ensure consistent application and enforcement of high-quality accounting standards.		<input type="checkbox"/> Final rules expected to be in force by  <input type="checkbox"/> Others, please specify:  <input checked="" type="checkbox"/> Completed as of Dec 2008  Overview (short description) of action(s) taken: 1. Japanese Generally Accepted Accounting Principles (J-GAAP) is acknowledged as a set of high quality accounting standards having converged with International Financial Reporting Standards (IFRS) substantially, and is considered to be equivalent to IFRS. * (i) In March 2005 the IASB and the ASBJ (private accounting standard setter in Japan) launched a joint project to eliminate differences between IFRS and J-GAAP with the aim of contributing to the development of global capital markets by promoting further international convergence to high quality accounting standards. As part of the agreement, both boards agreed to seek to eliminate by 2008 major differences between Japanese GAAP and IFRS, with the remaining differences to be removed on or before 30 June 2011. As a result, the ASBJ completed the target to eliminate major differences in 2008. In	Expected commencement date:  Web-links to relevant documents:

# (# in brackets are from 2011 template)	G20/FSB Recommendations			Deadline	Progress to Date	Planned Next Steps
					<p>addition, in June 2011 the ASBJ and IASB announced that the ASBJ substantially achieved the target to remove other remaining differences.</p> <p>(ii). On December 12, 2008, the European Commission assessed Japan's accounting standards as equivalent with IFRS.</p> <p>2. Japanese stakeholders are encouraged to actively participate and express their opinions in the international accounting standards setting process.</p> <p>(note)</p> <p>1. The FSA encouraged Japanese stakeholders to actively participate and express their opinions in the international accounting standards setting process. Through the Monitoring Board, the FSA reviews the IFRS Foundation's oversight of the IASB's due process in standard setting.</p> <p>2. In addition, voluntary application of IFRS by certain companies started for business years ending on or after 31 March 2010, and Japan is now under discussion whether and (if adopting) how to adopt the IFRS.</p> <p>Web-links to relevant documents:</p>	

# (# in brackets are from 2011 template)	G20/FSB Recommendations			Deadline	Progress to Date	Planned Next Steps
28 (30)	(FSF 2009)	The use of valuation reserves or adjustments by accounting standard setters and supervisors	3.4 Accounting standard setters and prudential supervisors should examine the use of valuation reserves or adjustments for fair valued financial instruments when data or modelling needed to support their valuation is weak.	End-2009	<p>Implementation ongoing:</p> <input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by <input type="checkbox"/> Draft regulations/guidelines published as of <input type="checkbox"/> Final rules expected to be in force by  <input type="checkbox"/> Others, please specify:  <input checked="" type="checkbox"/> Completed as of Dec 2008  <p>Overview (short description) of action(s) taken:  The ASBJ adjusted the J-GAAPs on use of valuation reserves, following the clarifications of the IFRS as of end of 2008.</p> <p>Web-links to relevant documents:</p>	<p>Planned actions (if any):  Considering the progress made in discussion conducted by the IASB, the ASBJ is examining with Japanese stakeholders the possibility of improvement in accounting standards.</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>
29 (31)	(FSF 2009)	Dampening of dynamics associated with FVA.	3.5 Accounting standard setters and prudential supervisors should examine possible changes to relevant standards to dampen adverse dynamics potentially associated with fair	End-2009	<p>Implementation ongoing:</p> <input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by <input type="checkbox"/> Draft regulations/guidelines published as of <input type="checkbox"/> Final rules expected to be in force by  <input checked="" type="checkbox"/> Others, please specify: Ongoing	<p>Planned actions (if any):  IASB published a draft on the hedge accounting on December 9 2010, and this accounting is intended to be finalized in 2012. The draft on macro hedge is intended to be published by the end of 2012.</p> <p>The ASBJ is considering whether</p>

# (# in brackets are from 2011 template)	G20/FSB Recommendations			Deadline	Progress to Date	Planned Next Steps
			<p>value accounting. Possible ways to reduce this potential impact include the following: (1) Enhancing the accounting model so that the use of fair value accounting is carefully examined for financial instruments of credit intermediaries; (ii) Transfers between financial asset categories; (iii) Simplifying hedge accounting requirements.</p>		<p><input type="checkbox"/> Completed as of</p> <p>Overview (short description) of action(s) taken: The ASBJ adjusted the J-GAAPs on use of valuation reserves, following the clarifications of the IFRS as of end of 2008.</p> <p>Web-links to relevant documents:</p>	<p>to make revisions following the decisions of the IASB in coordination with domestic relevant institutions.</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>
<b>6. Strengthening adherence to international financial standards</b>						
30 (32)	(Lon)	Adherence to international prudential regulatory and supervisory standards, as well as agreeing to undergo FSAP/ FSB periodic peer reviews	<p>We are committed to strengthened adherence to international prudential regulatory and supervisory standards.</p> <p>FSB members commit to pursue</p>	Ongoing	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p> <p><input type="checkbox"/> Others, please specify:</p>	<p>Planned actions (if any):</p> <p>We will continue to take part in the discussion at the FSB and standard setters actively and implement international financial standards. Japan will continue to take part in the international discussion on transparent assessment of countries' national regulatory systems actively.</p>

# (# in brackets are from 2011 template)	G20/FSB Recommendations			Deadline	Progress to Date	Planned Next Steps
		(Note) Please try to prioritise any major initiatives conducted specifically in your jurisdiction	the maintenance of financial stability, enhance the openness and transparency of the financial sector, implement international financial standards, and agree to undergo periodic peer reviews, using among other evidence IMF / World Bank FSAP reports.		<input checked="" type="checkbox"/> Completed as of N.A.  Overview (short description) of action(s) taken: We have been implementing international financial standards appropriately and contributing to the international discussion on various issues, including periodical peer reviews, to secure financial stability at the FSB and standard setters actively.  The initial FSAP was already conducted in 2003. Since then, Japan has taken various measures in financial sectors, following actions recommended by the FSAP. In January 2011, Japan requested the FSAP update to the IMF. Since then, Japan has continued to discuss with the IMF.  Web-links to relevant documents:	It is expected that the IMF Board on the FSAP update on Japan will be held and outcomes will be made public around in summer 2012.  Expected commencement date:  Web-links to relevant documents:
<b>7. Enhancing risk management</b>						
31 (4)	(WAP)	Enhancing guidance to strengthen banks' risk management practices	Regulators should develop enhanced guidance to strengthen banks' risk management practices, in line with international best practices, and should encourage	Ongoing	Implementation ongoing: <input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by <input type="checkbox"/> Draft regulations/guidelines published as of <input type="checkbox"/> Final rules expected to be in force by  <input type="checkbox"/> Others, please specify:	Planned actions (if any): The FSA has already taken various measures to enhance risk management. The FSA and the BOJ will continue to contribute to the international discussion at the BCBS & etc, and make reviews to strengthen banks' risk

# (# in brackets are from 2011 template)	G20/FSB Recommendations		Deadline	Progress to Date	Planned Next Steps
		financial firms to re-examine their internal controls and implement strengthened policies for sound risk management.		<input checked="" type="checkbox"/> Completed as of Aug 2008  Overview (short description) of action(s) taken: In the Guidelines for Supervision the FSA clarified that some points, including the following, would be within the scope of supervisory reviews in order to ensure sound risk management in financial institutions (August 2008). 1) Proactive management of risks by the management team and establishment of systems that enable quick decisions from the viewpoint of the group's overall portfolio. 2) Use of various risk management approaches, including stress tests, to complement statistical risk measure approaches 3) Valuation of financial products, including securitized products, as objective as possible 4) Appropriate understanding of the nature of financial products, including securitized products, for example, avoiding excessive dependence on external ratings 5) Proper management of market liquidity risk related to investment in financial	management and their internal management.  Expected commencement date:  Web-links to relevant documents:

# (# in brackets are from 2011 template)	G20/FSB Recommendations			Deadline	Progress to Date	Planned Next Steps
					<p>products including securitized products 6) Study on risks, including the pipeline risk in originating securitized products 7) Appropriate counterparty risk management regarding transactions involving derivatives etc.</p> <p>The FSA has been encouraging the efforts by financial institutions to make risk management more sophisticated, following the revision of the Guidelines for Supervision.</p> <p>Web-links to relevant documents:</p>	
32 (4)	(FSF 2009)	Validation of adequacy of banks' capital buffers	1.4 Supervisors should use the BCBS enhanced stress testing practices as a critical part of the Pillar 2 supervisory review process to validate the adequacy of banks' capital buffers above the minimum regulatory capital requirement.	Ongoing	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p> <p><input type="checkbox"/> Others, please specify:</p> <p><input checked="" type="checkbox"/> Completed as of Aug 2008</p> <p>Overview (short description) of action(s) taken: In the Guidelines for Supervision of</p>	<p>Planned actions (if any): The FSA has already taken various measures on enhancing the risk management of financial institutions, and will continue to consider whether there are points where it should reinforce current supervision.</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

# (# in brackets are from 2011 template)	G20/FSB Recommendations			Deadline	Progress to Date	Planned Next Steps
					<p>deposit-taking financial institutions, the FSA clarified that the use of various risk management approaches, including stress tests, to complement statistical risk measure approaches would be within the scope of supervisory reviews (August 2008).</p> <p>Web-links to relevant documents:</p>	
33 (4)	(FSF 2008)	Monitoring the implementation of updated guidance on liquidity risk	II.10 National supervisors should closely check banks' implementation of the updated guidance on the management and supervision of liquidity as part of their regular supervision. If banks' implementation of the guidance is inadequate, supervisors will take more prescriptive action to improve practices.	Ongoing	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p> <p><input type="checkbox"/> Others, please specify:</p> <p><input checked="" type="checkbox"/> Completed as of N.A.</p> <p>Overview (short description) of action(s) taken: The FSA and BOJ have been examining the liquidity risk management conducted by each financial institution based on the Guidelines for Supervision and Financial Inspection Manuals and On-site Examination Policy. In addition, the FSA</p>	<p>Planned actions (if any): The FSA and BOJ will continue to examine the liquidity risk management conducted by each financial institution based on the Guidelines for Supervision and Financial Inspection Manuals, and On-site Examination Policy properly. The FSA decided the following schedule to apply liquidity standards under Basel III.</p> <p>i) The LCR will be introduced in 2015.</p> <p>ii) The NFSR will be introduced in 2018.</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

# (# in brackets are from 2011 template)	G20/FSB Recommendations			Deadline	Progress to Date	Planned Next Steps
					<p>has taken supervisory actions, including the issuance of a business improvement order. In June 2009, the BOJ released a paper on liquidity risk management in order to promote stronger risk management in financial institutions. In July 2010, the BOJ released a paper on important check points regarding the liquidity risk management of financial institutions so that they can enhance their crisis management ability.</p> <p>Web-links to relevant documents:</p>	
34 (4)	(FSB 2009)	Enhancing banks' operations in foreign currency funding markets	Regulators and supervisors in emerging markets will enhance their supervision of banks' operation in foreign currency funding markets.	Ongoing	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p> <p><input type="checkbox"/> Others, please specify:</p> <p><input type="checkbox"/> Completed as of</p> <p>Overview (short description) of action(s) taken:</p>	<p>Planned actions (if any):</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

# (# in brackets are from 2011 template)	G20/FSB Recommendations			Deadline	Progress to Date	Planned Next Steps
					Web-links to relevant documents:	
35 (39)	(Pitts)	Robust, transparent stress test	We commit to conduct robust, transparent stress tests as needed.	Ongoing	<p>Implementation ongoing:</p> <input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by <input type="checkbox"/> Draft regulations/guidelines published as of <input type="checkbox"/> Final rules expected to be in force by <p><input type="checkbox"/> Others, please specify:</p> <p><input checked="" type="checkbox"/> Completed as of Apr 2008</p> <p>Overview (short description) of action(s) taken: Please refer to the reply in 32.</p> <p>Web-links to relevant documents:</p>	<p>Planned actions (if any): Please refer to the reply in 31.</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>
36 (40)	(Pitts)	Efforts to deal with impaired assets and raise additional capital	Our efforts to deal with impaired assets and to encourage the raising of additional capital must continue, where needed.	Ongoing	<p>Implementation ongoing:</p> <input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by <input type="checkbox"/> Draft regulations/guidelines published as of <input type="checkbox"/> Final rules expected to be in force by	<p>Planned actions (if any): The FSA has already taken various measures toward ensuring the soundness of the financial conditions of financial institutions such as by prompting the disposal of nonperforming loans, and will continue to consider reinforcing</p>

# (# in brackets are from 2011 template)	G20/FSB Recommendations			Deadline	Progress to Date	Planned Next Steps
					<input type="checkbox"/> Others, please specify:  <input checked="" type="checkbox"/> Completed as of N.A.  Overview (short description) of action(s) taken: By adding necessary supervisory viewpoints, in the Guidelines for Supervision, the FSA is encouraging financial institutions to recognize non-performing loans early through stringent assessment of assets. To deal with those loans properly, they take early measures that essentially make such loans sound according to their risks (so that debtors are rehabilitated as much as possible). Based on supervisory guidelines, the FSA is requiring banks to assess the extent of the overall adequacy of their capital in light of their risk profiles and monitoring whether the banks have implemented proper risk management and measures to retain adequate capital in terms of both quality and quantity considering the results of assessments. Because of the measures mentioned above, financial institutions have made progress in disposing of nonperforming loans (nonperforming loan ratio of major banking groups decreased from 8.4% at the end of March 2002 to 1.7% at the end of March	current supervision as necessary.  Expected commencement date:  Web-links to relevant documents:

# (# in brackets are from 2011 template)	G20/FSB Recommendations			Deadline	Progress to Date	Planned Next Steps
					<p>2011 and capital adequacy ratio of them increased from 10.8% to 17.33%).</p> <p>Web-links to relevant documents:</p>	
37 (41)	(WAP)	Enhanced risk disclosures by financial institutions	Financial institutions should provide enhanced risk disclosures in their reporting and disclose all losses on an ongoing basis, consistent with international best practice, as appropriate.	Ongoing	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p> <p><input type="checkbox"/> Others, please specify:</p> <p><input checked="" type="checkbox"/> Completed as of Apr 2011</p> <p>Overview (short description) of action(s) taken: The FSA revised each Supervisory Guideline for Bank, Financial Instruments Business Operators, etc. and Insurance Business Operators by April 2011 and continues to request, according to international best practices, the proactive disclosure of exposure related to sectors of the particular market interest. It leads to the necessary disclosure in each financial institution based on international discussion.</p>	<p>Planned actions (if any): The FSA has already taken various measures on this issue and will continue to strive to strengthen risk disclosure of financial institutions.</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

# (# in brackets are from 2011 template)	G20/FSB Recommendations			Deadline	Progress to Date	Planned Next Steps
					Web-links to relevant documents:	
<b>8. Strengthening deposit insurance</b>						
38 (42)	(FSF 2008)	Review of national deposit insurance arrangements	VI.9 National deposit insurance arrangements should be reviewed against the agreed international principles, and authorities should strengthen arrangements where needed.	Ongoing	No response required for this survey.  Please refer to peer review report on deposit insurance systems published in February 2012, available at: <a href="http://www.financialstabilityboard.org/publications/r_120208.pdf">http://www.financialstabilityboard.org/publications/r_120208.pdf</a>	
<b>9. Safeguarding the integrity and efficiency of financial markets</b>						
39 (new)	(Cannes)	Market integrity and efficiency	We must ensure that markets serve efficient allocation of investments and savings in our economies and do not pose risks to financial stability. To this end, we commit to implement initial recommendations by IOSCO on	Ongoing	Implementation ongoing: <input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by <input type="checkbox"/> Draft regulations/guidelines published as of <input type="checkbox"/> Final rules expected to be in force by  <input checked="" type="checkbox"/> Others, please specify: Ongoing  <input type="checkbox"/> Completed as of	Planned actions (if any): Through the daily supervision and market surveillance, the FSA conducts analysis on market trends such as the new form of transaction. The FSA will continue such measures.  Expected commencement date:  Web-links to relevant documents:

# (# in brackets are from 2011 template)	G20/FSB Recommendations			Deadline	Progress to Date	Planned Next Steps
			market integrity and efficiency, including measures to address the risks posed by high frequency trading and dark liquidity, and call for further work by mid-2012.		<p>Overview (short description) of action(s) taken:            In Japan, the suitable measures are taken to mitigate risks related to market integrity and efficiency. For instance, exchanges have already developed price limits, circuit breaker, etc. to prevent radical price fluctuation. Moreover, market participants are required to develop appropriate order management systems. In addition, transparency of off-market trading is ensured through adequate reporting requirement regarding information on orders, trading volume, etc.</p> <p>Web-links to relevant documents:</p>	
40 (new)	(Cannes)	Enhanced market transparency in commodity markets	We need to ensure enhanced market transparency, both on cash and financial commodity markets, including OTC, and achieve appropriate regulation and supervision of participants in these markets. Market regulators and authorities should	Ongoing	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p> <p><input type="checkbox"/> Others, please specify:</p> <p><input checked="" type="checkbox"/> Completed as of N.A.</p> <p>Overview (short description) of action(s)</p>	<p>Planned actions (if any):</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

# (# in brackets are from 2011 template)	G20/FSB Recommendations			Deadline	Progress to Date	Planned Next Steps
			be granted effective intervention powers to address disorderly markets and prevent market abuses. In particular, market regulators should have, and use formal position management powers, including the power to set ex-ante position limits, particularly in the delivery month where appropriate, among other powers of intervention. We call on IOSCO to report on the implementation of its recommendations by the end of 2012		<p>taken: The Commodity Derivatives Act in Japan grants, pursuant to Articles 102 and 118, the competent ministries effective intervention powers to address disorderly markets and prevent market abuses and the power to set ex-ante position limits, respectively.</p> <p>Web-links to relevant documents:</p>	
<b>10. Enhancing consumer protection</b>						
41 (new)	(Cannes)	Financial consumer protection	We agree that integration of financial consumer protection policies into regulatory and	Ongoing	<p>Implementation ongoing:</p> <input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by <input type="checkbox"/> Draft regulations/guidelines published as of	Planned actions (if any): Japan will continue to participate in the discussions of the OECD task force on financial consumer protection, which works to develop

# (# in brackets are from 2011 template)	G20/FSB Recommendations			Deadline	Progress to Date	Planned Next Steps
			<p>supervisory frameworks contributes to strengthening financial stability, endorse the FSB report on consumer finance protection and the high level principles on financial consumer protection prepared by the OECD together with the FSB. We will pursue the full application of these principles in our jurisdictions.</p>		<p><input type="checkbox"/> Final rules expected to be in force by</p> <p><input type="checkbox"/> Others, please specify:</p> <p><input checked="" type="checkbox"/> Completed as of N.A.</p> <p>Overview (short description) of action(s) taken:  FSA, MOF and BOJ have been contributing to the discussion on financial consumer protection at OECD (Task Force on Financial Consumer Protection).  The FSA has already taken various measures for financial consumer protection, which is stipulated by law as one of three major objectives of the FSA: to ensure protection of depositors, insurance policyholders, securities investors, etc.</p> <p>Web-links to relevant documents:</p>	<p>effective approaches to support the implementation of the High Level Principles on Consumer Protection endorsed in Cannes.</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

**Origin of recommendations:**

- Cannes: The Cannes Summit Final Declaration (3-4 November 2011)
- Seoul: The Seoul Summit Document (11-12 November 2010)
- Pitts: Leaders' Statement at the Pittsburgh Summit (25 September 2009)
- Lon: The London Summit Declaration on Strengthening the Financial System (2 April 2009)
- Tor: The G-20 Toronto Summit Declaration (26-27 June 2010)
- WAP: The Washington Summit Action Plan to Implement Principles for Reform (15 November 2008)
- FSF 2008: The FSF Report on Enhancing Market and Institutional Resilience (7 April 2008)
- FSF 2009: The FSF Report on Addressing Procyclicality in the Financial System (2 April 2009)
- FSB 2009: The FSB Report on Improving Financial Regulation (25 September 2009)

## **Index of acronyms**

Example:

FSB: Financial Stability Board