

I. Basic Concepts

I-1 Basic Concept of Financial Supervision

- (1) The purpose of financial supervision is to ensure the sound and appropriate management of the operations of financial institutions to maintain confidence and order; secure depositor protection; and strive for the smooth operation of finance (see Article 1 of the Banking Law (“the Law”)).
- (2) The FSA’s basic aim is to establish a transparent and fair public administration system based on clear rules.

To achieve this goal, the FSA aims to improve administrative efficiency and effectiveness; to clarify rules; and to enhance administrative procedures in each area including inspections and surveillance, starting with supervisory duties.

In addition, it is also important to further promote disclosure by financial institutions in order to enhance the transparency of the conduct of financial institutions; to promote self-regulation in conduct through market discipline; and to establish the self-responsibility principle for depositors.

Reference: “On the Founding of the FSA” (Talk: July 3, 2000)

I-2 Role of Supervisory Department and Basic Concept of Routine Office Duties for Supervision

I-2-1 Role of supervisory department

Japan’s financial supervisory system consists of monitoring techniques for both “onsite” and “offsite.” A highly effective level of financial supervision can be achieved by appropriately combining the respective monitoring techniques. For public administration organizational purposes, the inspection department is in charge of the former, and the supervisory department is in charge of the latter. Both departments are required to coordinate with each other appropriately while demonstrating their respective functions with great care.

Within this framework, the role of the supervisory department is to detect problems in the soundness and appropriateness of financial institution’s operations at an early stage by collecting and analyzing information on an ongoing basis even in the periods between inspections. In addition, its role is to take supervisory measures such as administrative penalties as required and to encourage improvements to be made before problems become serious.