

Financial Inspection Findings Casebook

Program Year 2005

SAMPLE ONLY

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The International Bankers Association prepared this translation with the intention of having the content accurately represent the Japanese original as much as possible. However, there are differences in layout and pagination from the Japanese original.

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Introduction

The Financial Inspection Findings Casebook has been prepared and published to further improve the transparency and predictability of the financial regulator and to encourage the strengthening of internal controls based on the principle of self-responsibility for financial institutions.

In the Basic Guidelines for Inspections for Program Year 2005, the Inspection Bureau of the Financial Services Agency, among other activities, promoted the introduction of the Financial Inspection Rating System, establishing the following areas of emphasis for the inspections:

- ① Efforts to address user protection;
- ② Efforts to contribute to the revival of small and medium-sized enterprises and the revival and stimulation of local economies;
- ③ Extensive verification of regulatory compliance and of the risk management system with emphasis on process checks ; and
- ④ Efforts to address the internationalization and structural changes in finance.

In addition, it conducted inspections with the items indicated below as areas of emphasis in each business category.

This Financial Inspection Findings Casebook has been based mainly on the findings of the inspections conducted in Program Year 2005, but also includes some of the findings of the inspections conducted in Program Year 2004.

As an initiative directed towards the enforcement of the Financial Inspection Rating System, for deposit-taking financial institutions, the Inspection Bureau has decided to introduce case examples of evaluations graded C, in light of the discussions conducted at times such as during the trial period of the Financial Inspection Rating System from January 2006 between financial institutions and inspectors on taking the same stance on evaluations.

Because inspection findings tend to vary depending on the size and characteristics of the financial institution, and bearing in mind the purposes of this casebook, inspection findings have been divided into three categories for deposit-taking institutions: major banks , etc., and foreign bank branches, regional banks, and shinkin banks and credit cooperatives.

Note, however, that, as stated above, although this Financial Inspection Findings Casebook focuses on case examples characteristic of the findings in each business category, this does not mean that the case examples were not found in other areas even if those examples have been treated as the findings of a particular business category. It is, therefore, beneficial to also refer to case examples that have been

treated as the case examples of other business categories to lead to the voluntary and sustained improvement of business by financial institutions. Also, note that the same event may result in different ways of raising issues or in different evaluations, etc., depending on the size and characteristics of the financial institution, particularly with evaluations.

Note: The number of case examples given does not reflect the number of findings made during inspections for each business category or area.