

## **FSA Financial Inspection Manual Revisions**

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## **FINANCIAL INSPECTION MANUAL REVISIONS**

Date & Time: Friday, January 19, 2007, 10:00 ~ 12:00.  
 Venue: 10F, Multi-Purpose Room, HSBC (Nihonbashi 3-11-1 Chuo-ku)  
 Speaker: Ms. Tomoko Amaya, Director, Planning & Research Office, Inspection Bureau,  
 Financial Services Agency (FSA)

### **INTRODUCTION**

- Today's briefing concerns the revisions of the Financial Inspection Manual, excluding portions concerning Basel II.
- Because of the differences among banks in matters such as scale, operations, and characteristics, the Financial Inspection Manual is not applied to all banks in a uniform and mechanical manner. In today's briefing, the explanations will be adapted to typical banks in Japan.
- It is seven years since the current Financial Inspection Manual came into operation. The current revisions are stocktaking-type revisions, based on our seven years of experience as well as changes in conditions. Today's briefing will outline the approach and intentions of the revisions of the Financial Inspection Manual.

#### **I. REVISION OF CATEGORIES IN THE FINANCIAL INSPECTION MANUAL**

- The number of categories in the manual has changed from seven to ten items (see also Appendix 1).
1. Risk Management Systems (Common Items) → Business Management (Governance) Systems + Integrated Risk Management Systems

A new category called "Business Management (Governance) Systems" has been established based on the portions of the former "Risk Management Systems (Common Items)" category that dealt with business management (governance) practices of representative directors, directors, and boards of directors, and the portions dealing with internal and external auditing systems. The remaining items under the scope of the former "Risk Management Systems (Common Items)" category have been reclassified as "Integrated Risk Management Systems," a category concerning overall risk management.

2. Credit Risk Management Systems → Capital Adequacy Management Systems + Credit Risk Management Systems + Asset Assessment Management Systems

The "Credit Risk Management Systems" category has been subdivided into three new categories: "Credit Risk Management Systems," "Asset Assessment Management Systems," and "Capital Adequacy Management Systems." These new categories correspond with the categories found in the Financial Inspection Rating System (FIRST).