

FSA FINANCIAL INSPECTIONS FINDINGS CASEBOOK
PROGRAM YEAR 2006

SAMPLE ONLY

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Inspection Bureau, Financial Services Agency

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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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COLLECTION OF CASES CITED BY FINANCIAL INSPECTION
(Survey conducted in 2006)

JULY 2007

INSPECTION BUREAU, THE FINANCIAL SERVICES AGENCY

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<Introduction>

In addition to further improving the transparency and predictability of financial administration, the Collection of Cases Cited by Financial Inspection was written to foster stronger internal control capabilities based on the principle of self-responsibility by financial institutions.

The Inspection Bureau of the Financial Services Agency emphasized the following items in the basic inspection policy of the 2006 inspection (conducted between July 2006 and June 2006):

- 1) The thorough protection of users
- 2) Verification of the upgrading of risk diversification and risk management
- 3) Verification taking in consideration the structural changes and internationalization of the financial services industry
- 4) Verification of small business financing.

The items mentioned in the next page were also used in the inspection as major points of emphasis by business category.

This collection of cases is mainly made up of cases cited as part of the 2006 inspection, which was conducted under the aforementioned policy, but cases from the 2005 inspection were included as well.

With regard to the cases evaluated as part of the inspection of deposit-taking financial institutions, this collection of cases introduces C-rated cases from the 2005 Collection of Cited Cases (published on July 5, 2006), but considering that, from April 2007, the big banks started implementing the financial inspection rating system in earnest, B-rated cases are also presented in the current collection to further increase the transparency of the rating system. As for the cited cases, considering that implementation of the revised financial inspection manual began in April 2007, the cases, including those designated by the inspection conducted on the basis of the old manual, were reorganized to match the structure of the revised financial inspection manual as much as possible. We hope that this collection of cases will help readers better understand the revised financial inspection manual.

The number of cited cases included in the collection is different as well, as there were 214 cases in the 2005 Collection of Cases, while the current collection introduces 280 cases in an attempt to present a more complete picture.

Given that the cases presented in this collection show different tendencies according to the scale and characteristics of the financial institutions, each case shows examples in three categories (major banks and branches of foreign banks / regional banks / cooperative banks and credit unions) of deposit-taking financial institutions. However, because one issue may be cited in one category but not in another, it might be worthwhile to read about cases from other business categories as they tie into sustained, voluntary efforts to improve the management of financial institutions.

With regard to the rating results in particular, you should be aware that because the impact on operations varies according to the scale and characteristics of financial institutions, the manner of designation, the rating, etc., differ from one institution to another, even in cases where the same events occur.

(Note): The number of cases in the collection does not reflect the number of cases cited in inspections by business category or item.