

OPINION CASEBOOK

**(Case examples of opinions submitted
in and before Program Year 2007)**

This is the second of a two-part translation on FSA Financial Inspections Findings.

SAMPLE ONLY

July 2008

Inspection Bureau, Financial Services Agency

This translation is for reference purposes only and was neither reviewed nor approved by the Financial Services Agency, and is not an official interpretation of laws and regulations. The Japanese original released by the Financial Services Agency supersedes this translation, should there be discrepancies or differences between the Japanese and the English versions.

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.

INTERNATIONAL BANKERS ASSOCIATION

Ark Mori Building, 14F
1-12-32 Akasaka
Minato-ku, Tokyo, Japan 107-6014

Telephone: (03) 5545-7511
Facsimile: (03) 5545-0502
Email: g-info@ibajapan.org
Website: www.ibajapan.org

OPINION CASEBOOK
Cases to Inspection Bureau Program Year 2007

JULY 2008

INSPECTION BUREAU, FINANCIAL SERVICES AGENCY

Table of Contents

<Introduction>		3
<Confirmed case examples>		
Case 1	Compliance with laws and ordinances: Article 5 of the Capital Subscription Act	4
Case 2	Compliance with laws and ordinances: Repeated and continued requests for repayment	6
Case 3	Compliance with laws and ordinances: Document delivery when entering into an agreement	8
Case 4	Compliance with laws and ordinances: Delivery of a receipt	10
Case 5	Compliance with laws and ordinances: Non-entry of an item in a negotiations record	12
Case 6	Compliance with laws and ordinances: Non-return of a credit certificate	13
Case 7	Borrower classification: Expected parent company support	14
Case 8	Borrower classification: Assessment of true financial condition	16
Case 9	Borrower classification: Business improvement and outlook for the future	18
Case 10	Borrower classification: Assessment of capacity to repay debt	20
Case 11	Borrower classification: Adequacy of business improvement plan	22
Case 12	Borrower classification: Recognition of restructured loans	24
Case 13	Borrower classification: Borrower with rapidly deteriorating cash position	26
Case 14	Borrower classification: Assessment of actual position of a venture company	28
	Decision concerning growth potential (A)	
Case 15	Borrower classification: Assessment of actual position of a venture company	30
	Decision concerning growth potential (B)	

Case 16 Borrower classification: Borrower classification of a land
development corporation 32
Assessment of the adequacy of a business improvement plan

Case 17 Borrower classification: Borrower classification relating to the
progress of a project 34

Case 18 Collateral assessment: Assumptions for collateral assessment 36
Decision concerning a collateral valuation based on a future use method

Case 19 Provisions for write-offs: Calculation of allowance for borrowers
in danger of bankruptcy (A) 37
Decision concerning using the estimated initial category III amount
as the maximum when recognizing impairments for each borrower at
the end of the period

Case 20 Provisions for write-offs: Calculation of allowance for borrowers
in danger of bankruptcy (B)..... 39
Decision concerning the allowance method for borrowers controlled by
a department established exclusively to provide support to business partners

Case 21 Provisions for write-offs: Managing the deduction of unusual
amounts..... 41
Decision concerning loans to a local public corporation

Case 22 Accounting treatment: Classification of security holdings..... 43
Decision concerning the redemption of foreign bonds at face value

Case 23 Accounting treatment: Classification of security holdings..... 45
Classification of the purpose of holding when some bonds which are
classified as bonds to be held to maturity will be sold as a countermeasure
for the outlier standard

Case 24 Accounting treatment: Repurchase of real estate after securitization 47
Decision concerning accounting treatment when securitized properties are
bought back within a short period of time

(Reference) 49

Introduction

Case examples presented here, which have been selected from among the 348 cases submitted since this mechanism was introduced through Program Year 2007, represent the cases that are thought to be informative in the area of risk management at financial institutions. The summaries presented, including the hearing findings, focus on key points where there was a difference of opinion. Individual case examples were revised as appropriate.

Notes:

- 1) Please refer to the attached (Reference) for the purpose of the “opinion submission system”.
- 2) In order to avoid identifying individual companies, the details of the cases below have been changed to the extent possible without changing the conclusion of the hearing findings.
- 3) The ‘relevant facts’ of each case have been condensed to those items that were thought to be significant in the inspection deliberations and documents.
- 4) The cases that were determined based on the practical guidelines issued by the Japanese Institute of Certified Public Accountants (JICPA) reflect the determination based on the inspection criteria in effect at the time of each individual inspection.