

Regulatory Reform and Revitalisation Measures in Japanese Financial Market

11 March 2010

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****Any views expressed in this presentation are those
of the author, and not necessarily the official views
of the FSA.***



Outline of Today's Presentation

. Situation in Japan's Financial Market

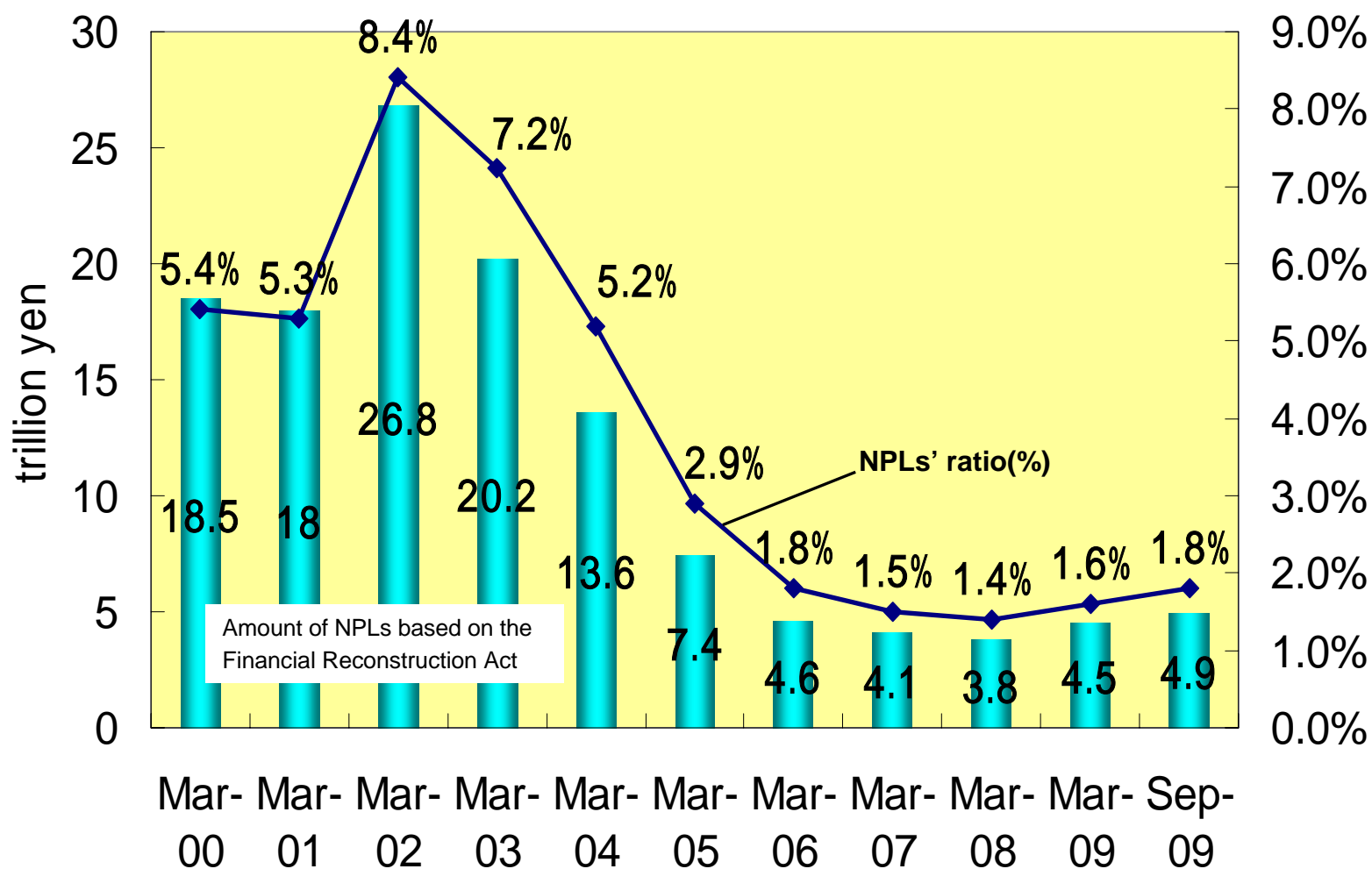
. Regulatory Reforms to Prevent Another Crisis

. Measures to Improve Japanese Financial Markets

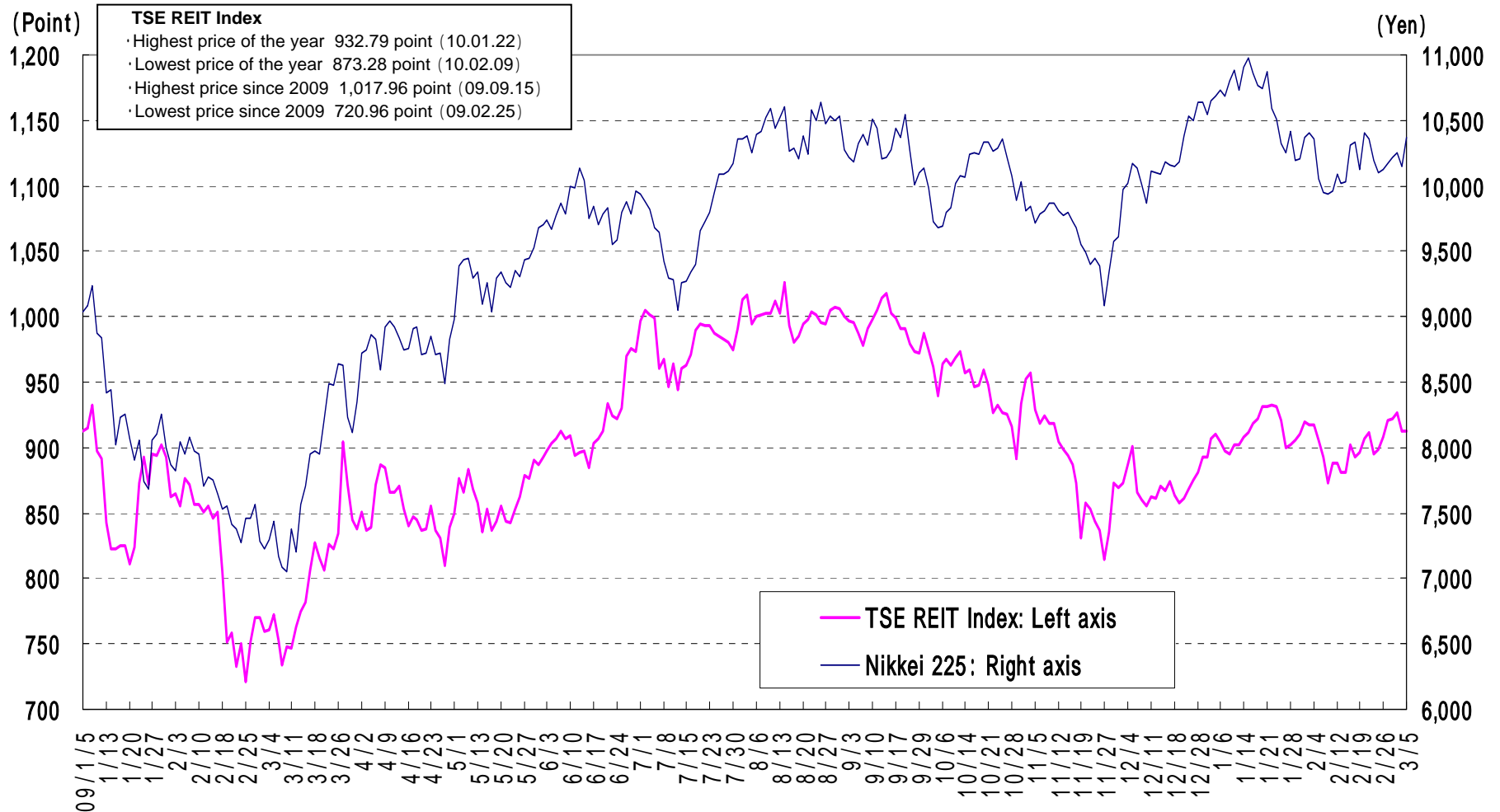
Exposure of Japanese Deposit-taking Institutions to Securitized Products

Total Exposure to Securitized Products (end-Mar 2009)			Total Operating Profits from Core Businesses (FY 2007 and 2008)	Writedowns on U.S.-originated Loans and Securitized Assets estimated by IMF GFSR (April 2009)	Writedowns on European-originated Loans and Securitized Assets estimated by IMF GFSR
Book Value	Valuation Losses	Realized Losses			
185	8	25	100 (61:2007) (39:2008)	2,712	1,193
	33				
(Billion : 1USD=100JPY)					

Japanese Major Banks' Non-Performing Loans (NPLs)



Nikkei 225 and REIT Index



(Source: Bloomberg, QUICK)

Measures to Improve Credit Conditions

- **The Act on Temporary Measures to Facilitate Financing for SMEs**
 - came into force on 4 December 2009
 - to encourage financial institutions to modify credit conditions to SMEs in an appropriate and efficient manner, and to reinforce credit guarantee measures for SMEs
- **Public funds injection to deposit-taking institutions under the amended Act on Special Measures for Strengthening Financial Functions:** around 286 billion yen has been injected to 9 regional financial institutions.
- **Public funds injection to firms under the amended Act on Industrial Revitalisation:** 30 billion yen has been injected to Elpida memory.
- **Enhancing credit to SMEs through credit guarantee corporations and Japan Finance Corp:** 16 trillion yen and 4 trillion yen respectively.
- **BOJ measures to facilitate corporate financing**

Measures to Strengthen the Regulatory Framework

- **Publication of “Development of Institutional Frameworks Pertaining to Financial and Capital Markets”**
 - introducing mandatory CCP clearing, reporting requirement etc.
 - introducing consolidated regulation/supervision of securities companies and consolidated prudential regulations of insurance companies
 - expanding the items to be reported from hedge fund managers(presenting a draft bill for consideration at the Diet during the current session)
- **Implementing the FSB Principles for Sound Compensation Practices etc. by revised guidelines for supervision (no later than March 2010)**
- **Registration of credit rating agencies (to be implemented in April 2010)**
 - introducing an exemption scheme for a number of operation control requirements which may bring about certain overlaps or inconsistencies with regulations in the home jurisdiction of a foreign registered CRA
- **Convergence of accounting standards**
 - allowing listed companies operating globally to adopt IFRS voluntarily for their consolidated financial statements for the fiscal year ending on or after March 31, 2010

Measures to Improve the Environment of Financial Markets

- **Diversification of ETFs**
- **Relaxation of Firewall Regulations**
- **New Japanese Bond Income Tax Exemption Mechanism(J-BIEM)**
 - coverage and recipient to be widened
 - exemption procedure to be simplified
- **Reduction of settlement risk of JGB**
- **New High-Speed Equity/CB Trading System launched by the Tokyo Stock Exchange**