



# **Coordination in Financial Monitoring between the Financial Services Agency and the Bank of Japan**

June 2023

Financial Services Agency and Bank of Japan

(English translation released in July 2023)

## Council for Cooperation on Financial Stability (CCFS)

- Attended by the Commissioner of the Financial Services Agency (FSA) and the Deputy Governor of the Bank of Japan (BOJ)
- Held biannually (and as necessary)
- Exchange of views on developments in the financial system and the market

## Financial Monitoring Council (FMC)



- Attended by the Director-General of the FSA and Executive Director of the BOJ
- Held biannually
- Enhances coordination in financial monitoring; exchange of views with the aim of reducing the burden on financial institutions and conducting effective monitoring

## Joint Group for Coordinating FSA's Inspections and BOJ's On-Site Examinations

- Attended by the Directors of the FSA and the Heads of Divisions at the BOJ
- Held quarterly
- Sharing of information and exchange of views at the working level on progress in strengthening coordination in financial monitoring; coordination of the planning of the FSA's inspections and the BOJ's on-site examinations and sharing of awareness on important topics



**Reporting accordingly**

## Working-Level Meeting on Macroprudential Policy

- Attended by the Directors of the FSA and the Heads of Divisions at the BOJ
- Held quarterly
- Sharing of information and exchange of views at the working level on developments in the financial system under the policy framework (countercyclical capital buffer, etc.) with a view to maintaining macroprudential soundness

Notes: 1. In principle, the findings of the FSA's inspections and the BOJ's on-site examinations of major banks and regional financial institutions are shared between the two entities.

2. Meetings with the financial industry are held once a year to exchange views on the coordination between the FSA and the BOJ, as well as on reducing the burden associated with monitoring on financial institutions.

Topic	Detail
Sharing risk recognition and exchange of opinions	<ul style="list-style-type: none"> <li>● Regular and flexible exchange of opinions, as well as sharing of risk recognition between the FSA's dedicated teams conducting year-round inspections and the BOJ's off-site monitoring sections.</li> </ul>
Conducting joint interviews and requesting submission of documents	<ul style="list-style-type: none"> <li>● Joint conduct of interviews with financial institutions and requests for submission of documents based on the FSA and BOJ's common interests while taking into account the institutions' views in cases where the necessary level of intensity and speed is ensured.</li> </ul>
Joint surveys	<ul style="list-style-type: none"> <li>● Since July 2021, conduct of joint surveys on (1) supervisory simultaneous stress testing based on common scenarios, (2) foreign currency liquidity, and (3) cybersecurity.               <ul style="list-style-type: none"> <li>-- Topics of the joint surveys are reviewed as appropriate in line with the risks in the financial system. These topics are excluded from the scope of the BOJ's on-site examinations.</li> </ul> </li> </ul>
FSA's year-round inspections and BOJ's on-site examinations	<ul style="list-style-type: none"> <li>● Arrangement of the schedule for the BOJ's on-site examinations during the FSA's year-round inspections, taking account of the burden on examinee financial institutions.</li> <li>● Sharing of awareness of issues and exchange of opinions with examinee financial institutions in advance; conduct of on-site examinations while avoiding overlapping with the joint surveys and off-site monitoring (narrowing down the scope of examinations), as well as streamlining of data submission and the duration of interviews.</li> </ul>

Topic	Detail
Sharing risk recognition and exchange of opinions	<ul style="list-style-type: none"> <li>● Regular and flexible exchange of opinions and sharing of risk recognition between the FSA's inspection sections and the BOJ's off-site monitoring sections.</li> </ul>
FSA's inspections and BOJ's on-site examinations	<ul style="list-style-type: none"> <li>● Arrangements made regarding the planning of the FSA's inspections (including those conducted by the Ministry of Finance's Local Finance Bureaus) and the BOJ's examinations while taking into account the burden on financial institutions. Sharing of the status of conduct of inspections/examinations and awareness of issues.</li> </ul>
Other	<ul style="list-style-type: none"> <li>● Joint initiatives for regional financial institutions' anti-money laundering and strengthening their cybersecurity.</li> </ul>

## Topic

## Detail

Integration and abolition of data templates

- Integration and abolition of data templates that the FSA and the BOJ had asked financial institutions to submit, taking into account requests from the financial industry, with the exception of those for which the integration/abolition is difficult due to statistical reasons (cases of abolished data templates or items total about 50).
  - Will continue to review data templates while regularly receiving requests from the financial industry.

Unification of submission destinations

- Establishment of the unification of submission destinations using a server system developed by the FSA through which it can share files submitted by the financial industry with the BOJ. The total number of common data templates subject to the unification was about 330 as of April 2023, with the exception of those for which the unification was difficult due to system specifications.
  - Will deliberate on expanding common data templates while regularly receiving requests from the financial industry.

Common data platform

- Promotion of initiatives in the medium term regarding the collection and use of granular data toward enhancing monitoring capabilities as well as the substitution of existing data templates, which contributes to reducing the burden on financial institutions.
  - See the separately released document for the results of an experiment employed for the collection and use of granular data on corporate loans.

Topic	Detail
Screening for a bank license and BOJ current account transactions	<ul style="list-style-type: none"><li>● Conduct of joint interviews with an applicant financial institution on system-related issues at times of the FSA's screening for a bank license and the BOJ's screening for its current account transactions.</li></ul>
Transition from LIBOR	<ul style="list-style-type: none"><li>● Conduct of surveys and monitoring on financial institutions' use of LIBOR and the transition from LIBOR.</li></ul>

October 2020	The Liberal Democratic Party's Treasury and Finance Division and Research Commission on the Finance and Banking Systems released a proposal on the integration of the FSA's inspections and the BOJ's on-site examinations.
November 2020	The two entities established the Task Force to Strengthen Coordination between the FSA's Inspections Function and the BOJ's On-site Examination Function.
December 2020	The two entities established the Joint Group for Coordinating FSA's Inspections and BOJ's On-Site Examinations.
March 2021	The two entities released "Initiatives for Further Strengthening Coordination between the Financial Services Agency and the Bank of Japan."
June 2021	The two entities established the Financial Monitoring Council (the aforementioned Task Force was reorganized).
April 2022	The FSA released an outsourced survey report as part of basic research for the establishment of a common data platform between the FSA and the BOJ.
June 2022	The two entities released "Progress in Initiatives for Further Strengthening Coordination between the Financial Services Agency and the Bank of Japan."
Summer 2022	The two entities started an experiment on the common data platform.
April 2023	The two entities fully launched the unification of submission destinations.