

# Extra Issue

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# Financial Services Agency Newsletter

# Access FSA

## Memorial Issue to Mark the 20th Anniversary of the FSA



Front row (from left): Parliamentary Vice-Minister Kanda, Minister Aso, and Minister of State Miyashita  
Back row (from left) Director-General Kurita of the Supervision Bureau, Vice Minister for International Affairs Himino,  
Commissioner Endo, and Director-General Nakajima of the Policy and Markets Bureau

※As of July 17



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Financial  
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Agency

# Messages to Mark the 20th Anniversary of the FSA



ASO Taro, Minister of State for  
Financial Services

July 1, 2020, marked the 20th anniversary of the inauguration of the Financial Services Agency through the reorganization of the Financial Supervisory Agency.

The ultimate goal of the FSA's policy is to maximize national welfare by supporting the sustainable growth of the Japanese economy and companies and by contributing to the Japanese people's stable asset building. This objective has remained and continues to remain unchanged.

Under this goal, two decades ago, the priority was stabilizing the financial system by restoring public confidence in the FSA's policy and promoting the disposal of non-performing loans.

Since then, although the non-performing loan problem has been brought under control, the environment surrounding the FSA's policy has changed drastically, as exemplified by the ongoing shrinkage of population and aging of society, the continuation of the low interest rate environment, and the emergence of FinTech, which embodies the fusion of finance and information technology (IT).

To achieve the abovementioned ultimate goal in light of the changing environment, the FSA has been making efforts to transform itself into the so-called 'Financial Nurturing Agency' with a view to implementing the following objectives:

- Concurrently maintaining the stability of the financial system and promoting financial intermediary functions
- Concurrently ensuring the protection of user interest and enhancing user convenience
- Concurrently ensuring the fairness and transparency and securing the vitality of the market

Specific activities conducted to that end are as follows:

- The FSA has abolished the Financial Inspection Manual and is encouraging financial institutions to extend loans and provide assistance to companies in light of the specifics of their businesses and the capabilities and personality of managers instead of relying on collateral and guarantee.
- The FSA has developed a legal framework that facilitate IT-based one-stop purchases of various financial services via smartphone.
- The FSA introduced a new tax system, the Tsumitate NISA (Dollar-cost averaging individual savings accounts), which allows investors to make tax-exempt installment investments in special accounts over a 20-year period, and the total number of Tsumitate NISA accounts stood at around 2.2 million as of the end of March this year.

Currently, amid the severe impact of the novel coronavirus pandemic on the domestic and foreign economies, the FSA is dedicating full-fledged efforts to ensure that the financial sector can firmly support the real economy, mainly through the provision of financing support for businesses.

In addition, from the viewpoint of making Japanese financial markets more open and promote further internationalization, the FSA aims to establish Japan as an international financial hub of Asia and the world by bringing together talents, funds and information from across the world through making an environment accessible to foreign financial institutions.

As explained above, the challenges that are faced and must be resolved by the FSA are wide-ranging.

I believe that it is important for the FSA to become an organization that can constantly change itself so that it can always continue to anticipate new social and economic challenges without being left behind by the times and to contribute to the Japanese people by formulating and implementing appropriate policies.



**MIYASHITA Ichiro, Minister  
of State for Financial Services**

I assume that looking back at 20 years ago, many people remember that Japan was in the midst of the financial crisis of the Heisei era, which put the financial system in a very harsh situation. For my part, I was a bank employee in the 1980s to the early 1990s. In those days, it was said that real estate prices would continue rising, so, as a matter of course, financial institutions were extending loans backed by real estate as collateral.

In recent years, I have been feeling significant change, as financial institutions have come to be required not only to sufficiently evaluate business models but also to make efforts to accommodate companies' various needs by using accumulated networking resources to support job-worker matching and business succession.

Another difference between now and 20 years ago is that FinTech, which refers to financial services incorporating the most advanced IT, is coming into widespread use.

The FSA has been contributing to the sound development of the whole of the financial industry, both as a promoter and as a regulator, in order to bring financial institutions and markets to a higher level and create new financial services needed by customers at a time when the financial industry is facing various changes.

Recently, dealing with the impact of the novel coronavirus (COVID-19) pandemic has been the major challenge. The FSA is doing its utmost to provide financing support intended to help to overcome the ongoing crisis and facilitate business continuity.

Going forward, with an eye to a post-COVID-19 world, financial institutions must support the formulation of business plans by companies that need to shift to new business models and must also respond to new types of fund needs. Now is the time to exercise comprehensive financial functions.

Marking the 20th anniversary corresponds to reaching adulthood in terms of human age. All of us at the FSA will work as one to ensure that the FSA, as a grown-up institution, can further fulfill its expected role.



**KANDA Kenji, Parliamentary  
Vice-Minister for Financial Services**

First of all, in relation to the novel coronavirus (COVID-19) pandemic, I express my respect to employees of financial institutions and the FSA for working hard to support business operators' financing. Two decades ago, as a certified tax accountant, I was busy assisting small and medium-size enterprises struggling in a difficult situation following the bursting of the economic bubble. The sight of business owners despairing at the difficulty of procuring necessary funds in those days is strongly impressed on my mind. Looking back at the situation at that time, I have the sense that various measures recently implemented by the FSA and efforts being made by financial institutions are firmly supporting business operators.

However, the problems caused by COVID-19 infection are unlikely to be resolved through temporary financing support measures alone. Challenges faced by both lenders and borrowers remain unresolved. The FSA should continue to think hard about what it should do in order

to help the Japanese economy take a big leap over the next three to five years.

If Japan, a resource-poor country, is to demonstrate its presence in the international community, its financial sector has an important role to play. Going forward, the FSA should take advantage of the wave of digitalization and devote further efforts to the field of FinTech. I am looking forward to the FSA leading Japan by making the best use of human and physical resources.

In a society undergoing discontinuous changes, the FSA is likely to continue to face various difficulties. I will work with FSA employees to overcome the challenges one by one and contribute to the development of the Japanese society and economy.

# Major events related to the FSA's financial services policy



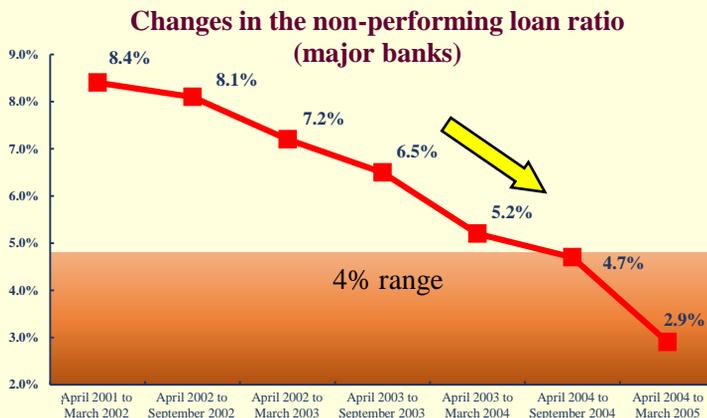
- 1980s Land and stock price bubbles
- 1990s Escalation of the non-performing loan problem
- 1997 Crash of the Thai baht (which triggered the Asian financial crisis)  
Failure of Hokkaido Takushoku Bank and Yamaichi Securities
- 1998 Inauguration of the Financial Supervisory Agency**  
Nationalization of Long-Term Credit Bank of Japan and Nippon Credit Bank
- 1999 Publication of the Financial Inspection Manual

## **2000 Inauguration of the FSA**

- 2001 Implementation of special inspection (major banks)
- 2002 Publication of the Program for Financial Revival
- 2003 Recapitalization of a major bank (Resona Bank) and temporary nationalization of a major regional bank (Ashikaga Bank)
- 2005 Launch of the "payoff" scheme (limited protection of deposits)  
Achieved the goal of halving the non-performing loan ratio of major banks



Photo: Minister Yamamoto making a speech at a working group related to the selection of a financial institution to take over the assets of Ashikaga Bank.



\*The above figures represent the ratios of disclosed loan claims under the Financial Revitalization Act.

- 2007 Publication of "Better Regulation"
- 2008 Lehman Shock (collapse of Lehman Brothers)
- 2012 Inauguration of the second Abe cabinet  
Launch of the "Abenomics" policy
- 2013 Publication of the Financial Monitoring Policy
- 2014 Publication of the Financial Monitoring Report
- From 2015 Publication of the Strategic Directions and Priorities
- From 2016 Publication of the Progress and Assessment of the Strategic Directions and Priorities
- From 2018 Publication of "Financial Services Policy: Assessments and Strategic Priorities"
- 2019 Abolition of the Financial Inspection Manual

### The four pillars of "Better Regulation" (improving the quality of financial regulation)

1. Optimal combination of rules-based and principles-based supervisory approaches
2. Timely recognition of priority issues and effective response
3. Encouraging voluntary efforts by financial institutions and placing greater emphasis on providing incentives
4. Improving the transparency and predictability of regulatory actions