

Quadrilateral Meeting June 25, 2015



Reforms of Financial Holding Companies - Japan

Kunihiko Morishita, FLB



J-FSA's Initiative to Reform

- In March 2015, the FSA of Japan instructed the Financial System Council to consider the following:

“In light of the environmental changes such as diversification / globalization of financial groups’ activities, regulations concerning financial groups must be considered.”



Working Group

- In May 2015 the Working Group of the Financial Group was formed and discussions were held on May 19, 26, and June 16. The next meeting has been scheduled for June 29.
- Following discussions at the Working Group, it is expected that a bill to amend the Banking Act and other related laws will be submitted in 2016 or later.

□ Background and issues

- To catch up with the rapid development of FinTech (use of IT in finance) on a global basis, banks must make a huge investment in IT.
 - There is a need to have IT-related businesses within the financial group, not just to use outside IT vendors.



Background and issues

- From the regulators' perspective, there needs to be a framework to supervise financial groups “as a group” (on a consolidated basis).
 - SPE (single point of entry) is regarded as preferable to MPE (multiple point of entry).

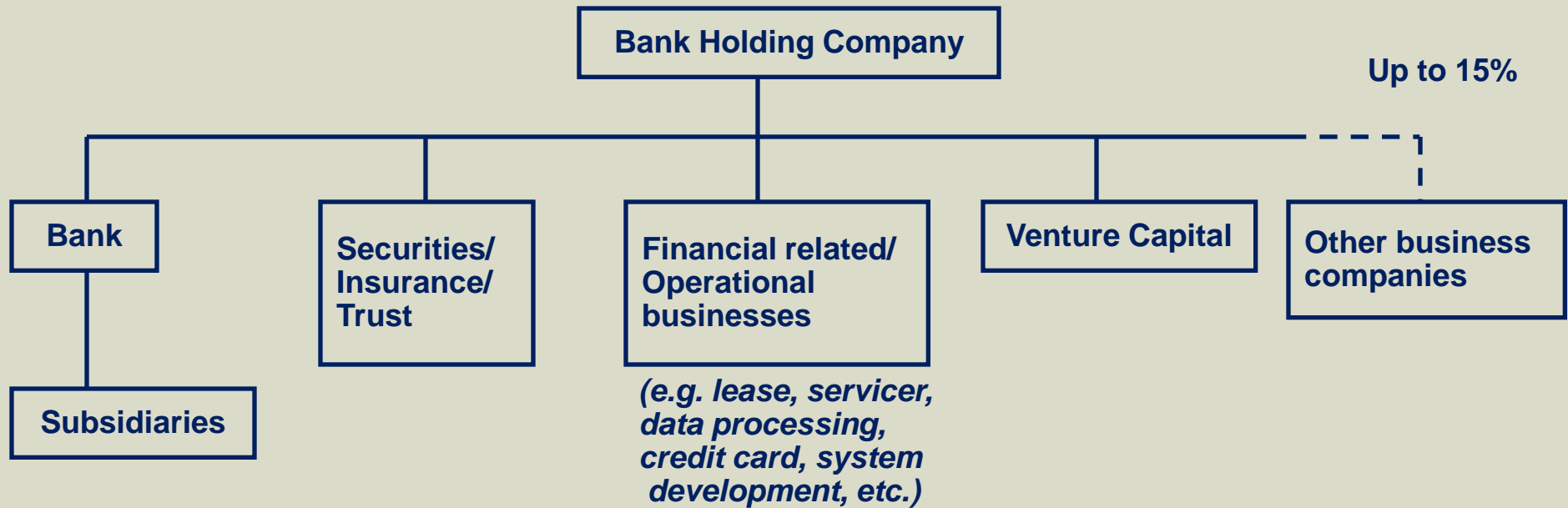


Background and issues

- As the weight of traditional commercial banking (deposit taking & lending) in revenues is decreasing, banks need to seek wider business opportunities while controlling risk.
 - A financial group (led by a bank holding company) should be permitted to be engaged in wider range of business in a flexible manner.



Bank holding company and subsidiaries under the current legislation





How should the new legislation look like?

- A separate statute (such as the Bank Holding Company Act of 1956 in the US)?
- Give stronger / broader group management power to bank holding companies
- Enable financial groups to conduct a wider range of business
- Introduce a framework to enable the regulator to supervise the group companies as a group



Kunihiko Morishita, FLB (Japan)

Anderson Mori & Tomotsune

Akasaka K-Tower
2-7, Motoakasaka 1-chome, Minato-ku,
Tokyo, Japan 107-0051

Telephone: 81-3-6888-1040
Facsimile: 81-3-6888-3040
E-mail: kunihiko.morishita@amt-law.com
URL: <http://www.amt-law.com>