

Checklist for On-site Inspections by DICJ

Deposit Insurance Corporation of Japan (DICJ) is empowered to carry out on-site inspections under Article 137, Paragraph 6 of the Deposit Insurance Law (the Law).

This checklist stipulates the scope of on-site inspections undertaken by the DICJ under the provisions of Article 50, Paragraph 1 of the Law (Payment of Deposit Insurance Premiums), Article 55-2, Paragraph 4 of the Law (Measures for Preparation for Depositors' Name-based Aggregation Database and Systems), and Article 58-3, Paragraph 1 of the Law (Measures for Insurance Payout for Payment and Settlement Deposits).

The DICJ has revised this checklist as necessary, ever since it was announced in July 2001. In October 2007, the DICJ revised "Chapter III. System Maintenance" and "V. Maintenance and Update of Contingency Manuals" of the checklist, based on the partial revision of the Cabinet Office regulations concerning the measures stipulated in Article 58-3, Paragraph 1 of the Law in September 2007; relevant paragraph being regarded as Article 1 and Article 2 being added after that.

*As for Japan Post Bank, Article 21, Paragraph 2 and Article 22, Paragraph 2 of the enforcement regulations of the Law, and Article 2 of the said Cabinet Office regulations are applicable as transitional measures for the limited period of 2 years from the enforcement date of the postal service privatization law.

(Note) Relevant sections of the Deposit Insurance Law

- Article 50, Paragraph 1 (Payment of Deposit Insurance Premiums)
- Article 55-2, Paragraph 4 (Measures for Preparation for Depositors' Name-based Aggregation Database and Systems)
- Article 58-3, Paragraph 1 (Measures for Insurance Payout for Payment and Settlement Deposits)
- Article 137 (On-sight Inspection)
- Article 143 (Penalties)

◇Checklist for para.1 of Art.50, Deposit Insurance Law (Check-up the calculation of the premium)

Subject	Checkpoints	Relevant documents or data, etc. to be checked and/or check points
I. Calculation of the Insurance Premium	1. The amount of deposits' which is the basis of the premium calculation, have been correctly entered / or not. (1) Incorrect entry of the deposit balance (to be eliminated) (2) Omissions (3) Calculation based on the average balance for business days during the Fiscal Year (4) Division of payment & settlement deposits and general deposits	➤Correctness Checking [Statement of Insurance Premium and its Attachment (Detailed Breakdown), General ledger (or daily balance)]
	2. The amount of deposit to be extracted under the premium calculation have been correctly entered / or not. (1) Incorrect entry of the deposit balance (to be eliminated) (2) Omissions (3) Calculation based on the average balance for business days during the Fiscal Year (4) Division of payment & settlement deposits and general deposits	➤Correctness Checking [Statement of Insurance Premium and its Attachment (Detailed Breakdown) Report from branch offices and so forth]
	3. The specified settling obligations have been entered correctly or not; (1) Incorrect entry of the deposit balance (to be nominated) (2) Omissions (3) Calculation based on the average balance for business days during the Fiscal Year	➤Correctness Checking [Statement of Insurance Premium and its Attachment (Detailed Breakdown) Report from branch offices and so forth]
	4. Relevant documents are properly filed and safely retained.	
Note: Should any serious mistakes or errors be found in the process of "I Calculation of the Insurance Premium", items II ~ IV will be reviewed when necessary.		
II. Recognition of the Management	The management takes the appropriate measures for the correct payment of the premium or not.	➤Corresponding state
III. Governance System and Institutional Arrangement	1. Governance system is established to secure the correct payment of the premium or not.	➤Departments in charge -Management -Understanding by staff members
	2. Effectiveness of internal control such as counter-check system is working well or not.	➤Internal counter-check system and its situation
IV. Internal Auditing	1. The items as stipulated in Art.50, para. 1 of the law are covered by internal auditing or not.	➤Audit program [checkpoint of auditing]
	2. Internal auditing is carried out adequately or not. Moreover, countermeasure based on results such as internal auditing is adopted or not.	➤Implementation of audit plan (annual audit plan, audit report) ➤Evidence which shows improvements are made as instructed

◇Checklist for Art.55-2, para. 4 and Art 58-3, para. 1 of the Deposit Insurance Law (Check-up the depositor’s name-based aggregation databases and systems, etc)

Subject	Checkpoints	Relevant documents or data, etc. to be checked and/or check points
I. Involvement of the Management and their Recognition	1. The management recognizes the purpose of Art. 55-2, para. 4 and of Art. 58-3, para. 1 of the law and appropriate actions are taken to follow the compliance procedures or not.	➤Corresponding state
	2. The management has established contingency plans for immediate response to submit correct data to the DICJ in accordance with Art. 55-2, para. 4 or not.	➤Contingency plans for the bank failure
II. Governance System and Institutional Arrangement	An appropriate governance structure has been established to comply with of Art. 55-2, para. 4 and of Art. 58-3, para. 1 or not.	[Structural plan] ➤Data and system maintenance ➤Contingency plans [Departments in charge] ➤Understanding of staff members ➤Verification by the organization, analysis of problem points, as well as measures for improvement ➤Guidance to banking office [Banking Office] ➤Understanding of staff members ➤Verification by the organization [Others] ➤Response to items pointed out by the internal audit, etc ➤Response to items pointed out by the FSA, Regional Finance Bureaus or DICJ ➤Response to the results of the inspections of the depositors’ name-based aggregation database and systems, etc.
Note: Should any serious mistakes or errors be found in the process of following III ~ VI, items “I. Involvement of the Management and their Recognition” and “II. Governance System and Institutional Arrangement” will be reviewed when necessary.		
III. System Maintenance	1. The system meets the specification to the Prescribed Format as designated by the DICJ to comply with Art. 55-2, para 4 or not.	➤Documentation of system analysis -Adapting system to new financial products -Enhancement of computer system for the hardware/software replacement -Maintenance the files for designated settlement debt ➤Prompt delivery of the data to the DICJ (by magnetic tape or discs)
	2. Regarding Art. 1, para. 1-1 and para. 2 of the Cabinet Office regulations concerning the measures stipulated in Art. 58-3, para. 1 of the Law, appropriate actions are taken or not.	➤Corresponding state

IV. Data Maintenance	Data accuracy for depositors' name-based aggregation databases has been maintained for the DICJ Prescribed Format to comply with Art. 55-2, para. 4 or not.	<ul style="list-style-type: none"> ➤ Data for aggregation (name and date of the birthday/foundation) is duly maintained ➤ Depositors are duly identified (individuals, judicial person, unincorporated association or foundations and voluntary organizations) ➤ Updated data is correctly registered ➤ The data, which can not be aggregated due to specific reasons, is accurately identified. ➤ Division of payment & settlement deposit and general deposit ➤ Maintenance the files for specified settling obligation
V. Maintenance and Update of Contingency Manuals	1. The contingency procedure and manuals of submitting required data to the DICJ (by magnetic tape/discs) in case of bank failure is properly arranged and the contents are adequate or not.	<ul style="list-style-type: none"> ➤ Division of labor and responsibilities ➤ Relationship with contractors ➤ Confirmation about the practicability of method based on in-house training ➤ Updating hardware and/or software of computer systems ➤ Operational guidelines to determine the amount of specified settling obligation, enter the data to the file and verification of such data
	2. The operational procedures and manuals mentioned below are prepared and the contents are adequate or not. (1) Operations to update the data, based on Art. 1, para. 1-1 and para. 2 of the Cabinet Office regulations (2) Operations to refund the payment and settlement deposit without data above	<ul style="list-style-type: none"> ➤ Division of labor and responsibilities ➤ Relationship with contractors ➤ Confirmation about the practicability of method based on in-service training ➤ Procedures concerning the item (1) ➤ Procedures concerning the item (2)
VI. Internal Auditing	1. The items required to comply of Art. 55-2, para. 4 and Art. 58-3, para. 1 is covered by internal auditing or not.	➤ Audit items
	2. Internal auditing is properly carried out and adequate measures are adapted in response to the consequences or not.	<ul style="list-style-type: none"> ➤ Implementation of audit plan (annual auditing plan, auditing report) ➤ Evidence which shows improvements are made as instructed