

**Medium-Term Goals (FY2017– FY2019)**

**I. The DICJ's Mission**

The mission of the DICJ is to appropriately manage the deposit insurance system<sup>(Note)</sup> in order to achieve the objective of the Deposit Insurance Act, which is to establish a deposit insurance system in order to protect depositors, etc., and to ensure the settlement of funds related to failed financial institutions, thereby contributing to the maintenance of the stability of the financial system.

Note: The DICJ also undertakes operations related to capital participation under the Financial Functions Strengthening Act, operations related to the posting of public notices under the Criminal Accounts Damage Recovery Act, and operations related to dormant deposits management, etc. under the Dormant Deposits Utilization Act.

**II. Circumstances Surrounding the DICJ and Challenges**

Japan's deposit insurance system was established in 1971 under the Deposit Insurance Act as a scheme to protect small-lot deposits. The DICJ was also established under this act. As the operator of the safety net of the Japanese financial sector, the DICJ has implemented failure resolutions of more than 180 financial institutions since its establishment.

Since the experience of a serious financial crisis in the 1990s following the collapse of economic bubbles, Japan has implemented various measures, including the injection of public funds. During the process of overcoming the crisis, Japan strongly recognized the need for securing the financial intermediary function for conscientious and sound borrowers. Based on such a need, Japan introduced various kinds of systems, such as the financial administrators, the bridge banks and the banks under special crisis management. In 2005, Japan shifted its policy for deposits from full protection to limited coverage. Meanwhile, Japan introduced the deposits for payment and settlement purposes system in order to secure the settlement of funds. Since the global financial crisis, which was symbolized by the collapse of Lehman Brothers in 2008, there have been international debates on financial regulations which intended to prevent the recurrence of similar crises. Also, each country has individually undertaken domestic measures for institutionalizing the agreements which they made in the debates. In Japan as well, systems such as a framework for orderly resolution of assets and liabilities of a financial institution, etc. for the purpose of ensuring financial system stability have been introduced.

Later, the situation of the financial sector became normalized. The Japanese banking sector has had no cases of failure resolution since the Incubator Bank of Japan in 2010. The failure resolution of this bank was implemented based on the policy for limited coverage, and the final payment of tender was made in 2016 based on the rehabilitation plan.

In the meantime, the environment surrounding the financial system has been drastically changed. Because of the internationalization of economic activities and the evolution of Information Technology (IT), the diversification and sophistication of financial products, financial activities and the operations of financial institutions have proceeded at a remarkable speed. Measures for adapting to such changes have been implemented. In addition, various forward-looking discussions have been held. While keeping an eye on the changes of these situations, the DICJ needs to enhance its ability to implement failure resolution of financial institutions. In ordinary times, financial institutions need to develop adequate ability to respond to emergencies. Therefore, it is important for the DICJ to strengthen cooperation with relevant organizations and encourage financial institutions to take appropriate actions.

In order to respond to the internationalization of financial transactions, it is important to enhance the DICJ's contributions to the activities of the International Association of Deposit Insurers (IADI) and to strengthen cooperation with relevant foreign organizations. In addition, in order to adapt to the evolution of IT, it is also important for the DICJ to improve its various systems, which are part of the bases of the DICJ's activities, and make them more sophisticated, and to further enhance the security level. It is also necessary for the DICJ to appropriately implement capital participation operations under the Financial Functions Strengthening Act and financial assistance operations that contribute to social justice such as capital public notices under the Criminal Accounts Damage Recovery Act.

**III. Medium-Term Goals for FY2017–2019**

In light of the matters mentioned above, in order to set out the basic directions for the execution and improvement of its operations, the DICJ has set the following medium-term goals for FY2017–FY2019 as a roadmap for managing its operations:

1. DICJ's Operations

II. Overview of the DICJ's Activities

1. Failure Resolution

2. Asset Holdings

3. Pursuit of Liability

4. International Cooperation

5. Capital Participation

6. Specified Difficult Recovery Claims

7. Criminal Accounts Damage Recovery

8. Dormant Deposits Management Operation

9. Finances

10. PR Activities to Ensure Public Awareness

11. The Medium-Term Goals and Operational Policy

III. Annex

(Initiatives for depositor protection and failure resolution of financial institutions, etc.)

1. With consideration for the diversification and sophistication of financial products, financial activities, and the operations of financial institutions, and measures for responding to such changes, the DICJ will identify and consider various issues related to the operations of the deposit insurance system. Also, the DICJ will improve and enhance its preparedness for operations, such as protection of depositors and failure resolution of financial institutions so as to adapt to any possible situation.  
In addition, the DICJ will develop and improve the failure resolution operation system so as to bring about secure and smooth procedures.
2. The DICJ will follow up the status of financial institutions' preparedness for responding to emergencies. Also, the DICJ will encourage them to develop the preparedness and give necessary advice to each financial institution. With regard to on-site inspections, the DICJ will focus its attention on matters which may affect the failure resolution procedures. Also, the DICJ will conduct inspection in an efficient and effective manner by enhancing off-site monitoring.
3. The DICJ will appropriately implement the management and disposal of assets acquired from failed financial institutions.  
The DICJ will support the resolution and collection operations undertaken by the contracted bank, and improve and enhance its operations, such as pursuit of the liability of former managers of failed financial institutions.
4. The DICJ will make efforts to strengthen cooperation with foreign deposit insurance organizations and other organizations, including active participation in activities of the International Association of Deposit Insurers (IADI).  
The DICJ will also conduct research and study activities concerning international development related to deposit insurance system.

(Operations related to capital participation)

5. With regard to capital participation under the Financial Functions Strengthening Act, the DICJ will appropriately cooperate with applicant financial institutions and relevant authorities.

(Operations related to support for financial operations)

6. The DICJ will make active efforts to appropriately conduct operations, such as the purchase of the specified difficult recovery claims held by financial institutions. Also, the DICJ will appropriately develop and operate an inquiry system related to antisocial forces, and implement measures for relieving victims of bank transfer fraud, such as posting public notices on procedures for criminal accounts damage recovery. The DICJ will make preparation for managing dormant deposits, which has been newly charged with responsibility, and will appropriately implement these operations.

(Sound and appropriate management of operations)

7. The DICJ will strive to develop and improve various systems and will enhance information security measures.
8. The DICJ will appropriately respond to the changing environment by strengthening its financial management, ensuring efficient management of its organization, and enhancing the preparedness to secure compliance.
9. The DICJ will collaborate with affiliated companies, including the RCC, and give guidance and advice to them as necessary.
10. The DICJ will develop a framework for business continuity at the time of disasters.
11. The DICJ will enhance the dissemination of information to depositors as well as relevant parties in both Japan and abroad.

#### IV. The Relation between the Medium-Term Goals and the Operational Policy for Each Fiscal Year

The operational policy for each fiscal year is formulated based on the medium-term goals, and the implementation status at that point in time, as well as the implementation status and evaluation of the operational policy of the preceding fiscal years.

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