

The 11th DICJ Roundtable  
“Topics related to Deposit Insurance Funds”  
Welcome Remarks  
12 March 2019

Good morning ladies and gentlemen. It is our great honor to host the 11<sup>th</sup> DICJ Round Table in Tokyo. We would like to thank all of you for participating in this Round Table. Though it might be slightly too early for cherry blossoms to welcome you, spring in Japan is beautiful and Mt. Fuji will welcome you. Many tourists now visit Japan and enjoy its atmosphere. Recently, the number of visitors has been increasing rapidly. Further, Tokyo is now preparing for the Tokyo Olympic and Paralympic to be held in summer next year. You may notice the many facilities under construction everywhere.

The DICJ Round Table started in 2006. Since then, the circumstances surrounding the financial system have been constantly changing. In addition, the global financial system experienced one of its worst financial crises in modern history. Many Deposit Insurers have been struggling to overcome the financial turmoil. IADI, which was found in 2002 has contributed to the stability of financial systems by enhancing the effectiveness of deposit insurance systems and promoting international cooperation on deposit insurance and bank resolution systems.

In response to the changing situation, DICJ Round Table participants have had heated discussions in Tokyo or in Kyoto on diversified themes. The theme of this conference is “Topics related to Deposit Insurance Funds”. I think the Deposit Insurance System in each jurisdiction reflects the history of its financial system and real economy. Further, every part of the Deposit Insurance Scheme is closely interrelated. I think that topics related to Deposit Insurance Funds show the essence of the history of the financial system and real economy in each jurisdiction.

In the case of Japan, in the 1990s Japan entered its own financial crisis after the bursting of the asset price bubble. In order to conquer the financial difficulties, Japan has made intensive efforts mainly in four areas. First, establishing a framework for disposal of non-performing loans and dealing with the failures of individual financial institutions. Second, creating and strengthening various safety net schemes over time. Third, improving infrastructures for the financial and capital markets from the medium-to-long term perspective. And fourth, establishing and managing a regulatory framework for

consumer protection.

With regard to the Deposit Insurance scheme, in 1971, DICJ was established as a small entity to simply insure small deposits up to a ceiling of 1 million yen. The intention of the establishment of the Deposit Insurance System was to make finance more efficient by separating the protection of depositors from the protection of individual financial institutions against the backdrop of the accumulation of national deposits and the trend of intensifying competition not only domestically but also internationally. Since then, Japan's Deposit Insurance System has been improved and strengthened in line with the widening scope of financial difficulties.

In 1986, the upper limit of deposit protection was raised to 10 million yen, and a financial assistance method, which would provide financial assistance to assuming financial institutions, was introduced.

In 1996, in order to deal with the non-performing loan problems caused by the specialized housing loan institutions, DICJ was drastically reorganized and its functions were strengthened broadly. This is virtually the birth of today's DICJ.

In 1998, to maintain financial intermediary functions, new schemes, such as a bridge bank system, a financial administrator system for failed financial institutions and a special public management system, were introduced.

In 2005, to secure the settlement function, a system, which protects in-process settlement and deposits for payment and settlement purposes, was introduced.

Further in 2014, to maintain the continuity of vital economic functions, the Orderly Resolution system was introduced.

With regard to the amount of the Deposit Insurance Fund, in the midst of the financial crisis in 2002, DICJ borrowed more than 4 trillion yen from the market. In the course of the recovery of the financial system and the real economy, DICJ repaid the full amount of the borrowings and was deemed to have reserves of around 4 trillion yen at the end of this March. I think this trend shows some parts of the history of Japan's financial history. Although Japan has conquered its past financial difficulties and the current economic situation is so far stable, there are many issues to be addressed, such as a declining and aging population, intensifying competition globally as well as domestically, the trend of declining profitability of financial institutions and the necessity of taking advantage of IT innovation. We always need to foresee and be prepared for the future by learning from history, learning from others, cultivating our insights and training ourselves continuously.

Today, many participants from all over the world will share with us their stories from broad perspectives.

First, as a keynote speaker, I invited the Commissioner of the Financial Services Agency Japan, Mr. Toshihide Endo. In Japan, JFSA is responsible for supervising and administrating financial institutions including non-deposit financial institutions. He is very busy but has kindly accepted our invitation to address this conference. Japan trod a bumpy path after the collapse of the asset price bubble in the early 1990s. He has walked the center of that bumpy path then and now. He is an expert in supervising financial institutions and is responsible for steering the direction of financial institutions in these difficult days. Thank you very much Mr. Endo.

Further, in the following session excellent speakers and panelists will share their own views and experience. Each Deposit Insurer has its own history and circumstances. In the IADI Statute Article 3, it is stated that “the Association will develop principles, standards and guidance to enhance the effectiveness of deposit insurance systems — taking into account the different circumstances, settings and structures.” It is not so easy to fully understand other jurisdiction’s Deposit Insurance Systems correctly. Even if we use the same terminologies, we tend to interpret them based on our own knowledge accumulated through each jurisdiction’s history and circumstances. We need to understand not only each other’s similarities but also our differences. IADI and APRC members have been actively engaged in this task.

It is said that predicting what will happen is easier than predicting when and how events will unfold. From my experience, actual crises sometimes emerge unexpectedly with unpredictable consequences. Further, there are many uncertainties surrounding us. But irrespective of changing circumstances, our core mission will never change.

I often say that bank failures impose social costs not only on depositors but also on borrowers and other stakeholders, including impacts on basic financial transactions. A good deposit insurance system and resolution method should prevent or mitigate such impact or systemic risks. It also plays an important role in keeping the economy resilient, by supporting smooth resolution, contributing to the continuity of financial functions and helping the real economy recover efficiently.

I hope this Round Table will be fruitful for all participants.

Thank you very much.