

Operational Policy (April 2019–March 2020)

I Challenges Related to the Circumstances surrounding the DICJ

The Deposit Insurance Corporation of Japan (hereinafter referred to as the “DICJ”) will strengthen the capability to deal with the failure resolution of financial institutions by continuously improving the operation of the deposit insurance system in light of the diversification of the operations of financial institutions, among other factors.

In addition, the DICJ will promote collaboration and cooperation with foreign deposit insurance organizations in response to the globalization of financial transactions. It will also continue efforts to develop and improve various systems in light of the ongoing technology innovation.

In preparation for the first receipt of money for transfer from dormant deposits, etc. and payment of grants funded from dormant deposits, etc., scheduled for the current fiscal year, the DICJ will appropriately implement operations related to dormant deposits, etc. management.

II Operational policy for FY2019

In light of the above, the DICJ has set the following operational policy for FY2019 as a guideline for implementation of operations.

1. Improvement and Enhancement of Preparedness for Every Situation related to the Protection of Depositors, Failure Resolution, etc.

(i) Concerning the failure resolution scheme and the financial administrator operations, the DICJ will maintain and strengthen its capability to deal with the failure resolution of financial institutions through such measures as continuously improving the operation of the deposit insurance system, while identifying and studying various issues related to the operation of the system so that it can adapt to the diversification and sophistication of financial products, financial activities, and the operations of financial institutions, etc. from the viewpoint of the protection of depositors.

In addition, the DICJ will continue to cooperate with relevant authorities, etc. and enhance the capability to implement measures related to orderly resolution of assets and liabilities of a financial institution, etc.

(ii) In order to improve the quality of the financial administration operation and routinely develop the capability to appropriately respond to emergencies, the DICJ will further deepen cooperative relationships with relevant authorities and financial industry-related organizations, and enhance practical training and seminars, etc.

(iii) The DICJ will realize stable operation of the failure resolution operation system and further improve the system from the perspective of securely and quickly implementing failure resolution.

2. Follow-up on and Encouragement for the Development of the Preparedness in Normal Times to Respond to Emergencies by Financial Institutions

In order to ensure secure and smooth implementation of failure resolution, the DICJ will encourage financial institutions to appropriately implement necessary measures in normal times through “on-site inspections,” “follow-up interview for improvement,” “database verification,” and “training and advice, etc.” The DICJ will also cooperate with relevant authorities to follow up on the status of the preparedness of financial institutions.

In on-site inspections, the DICJ will decide the financial institution to be inspected and the scope and depth of examination in a prioritized manner. At the same time, it will increase the effectiveness and efficiency of the inspections by enhancing off-site monitoring in addition to taking into consideration the matters confirmed through various measures implemented by the DICJ.

3. Appropriate Management, Collection and Disposal of Assets Acquired from Failed Financial Institutions, etc. and Pursuit of Liability, etc.

(i) The DICJ will provide the RCC with necessary guidance and advice for enabling the RCC to appropriately manage and collect claims acquired from failed financial institutions, etc. with due consideration

to customer protection.

In addition, the DICJ will appropriately implement the management and disposal of shares and other capital-raising instruments acquired from failed financial institutions, etc. from the perspective of minimizing public burdens with due consideration to the market impact.

- (ii) The DICJ will support the maximization of the collection of claims by the RCC by accurate selection of cases to be investigated, implementation of in-depth asset investigations and appropriately providing guidance and advice concerning collection of debts, focusing on malicious cases involving unconscientious debtors who refuse to make repayment or disclose asset information and malicious cases and those involving antisocial forces.

The DICJ will also strictly deal with malicious obstructed recovery cases, etc., including those involving antisocial forces, while maintaining close cooperation with the RCC and providing necessary support.

- (iii) The DICJ will strive to conduct thorough investigations of failed financial institutions of understanding (MOU) on cooperation, and personnel exchanges, among other activities. In addition, the DICJ will continue to provide technical cooperation to other countries considering the introduction or enhancement of a deposit insurance system.

4. Enhancement of Collaboration with Foreign Deposit Insurance Organizations and Research and Study Activities

- (i) As the chair organization of the International Association of Deposit Insurers (IADI), the DICJ will participate in the management of the IADI and its various activities from a leader's standpoint and promote international collaboration and cooperation between deposit insurance organizations.

The DICJ will aim to strengthen exchange of information and technical cooperation with foreign deposit insurance organizations through the exchange of letters (EOL) and the signing of memoranda of understanding (MOU) on cooperation, and personnel exchanges, among other activities. In addition, the DICJ will continue to provide technical cooperation to other countries considering the introduction or enhancement of a deposit insurance system.

- (ii) Regarding the matters related to the DICJ's operations such as the reform of deposit insurance systems in other countries and regions and the status of international organizations' efforts toward international cooperation, the DICJ will conduct research and studies and provide the accomplishments to parties concerned and others in various fields.

5. Implementation of Operations related to Capital Participation

The DICJ will appropriately respond to applications from financial institutions etc for capital participation under the Financial Functions Strengthening Act (application deadline: March 31, 2022) in close cooperation with relevant authorities. In addition, the DICJ will appropriately manage and dispose of shares and other capital-raising instruments for which it has subscribed under the same law.

6. Implementation of Financial Operations Assistance

- (i) The DICJ will steadily implement such operations as the purchase of specified difficult recovery claims in collaboration with the FSA and related organizations, while improving the operation of the system as needed and encouraging financial institutions to actively use the system.

- (ii) The DICJ will strive to ensure appropriate execution of the operation to provide information on antisocial forces in response to inquiries from financial institutions.

- (iii) In order to contribute to the prompt recovery of property damage suffered by victims of bank transfer fraud, the DICJ will post public notices appropriately and smoothly and strive to make appropriate use of money transferred to the DICJ, while cooperating with relevant ministries and agencies and related organizations.

- (iv) The DICJ will complete the development of administrative procedures related to the receipt of money for transfer from dormant deposits, etc., the conclusion of contracts, etc. related to payment and other entrusted operations, and the development of the dormant deposits management system, and will appropriately implement operations related to dormant deposits, etc. management, such as the receipt of money for transfer from dormant deposits, etc. and payment of grants funded from dormant deposits, etc.

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. Management Operations of Dormant Deposits, etc.

9. Finances

10. PR Activities to Ensure Public Awareness

11. The Medium-Term Goals and Operational Policy

III. Annex

7. Development and Improvement of Various Systems and Enhancement of Information Security Measures
 - (i) The DICJ will continue to enhance IT governance and develop and improve various systems that it possesses.
 - (ii) The DICJ will further raise the information security level against cyberattacks that have become increasingly devious and complex in recent years by comprehensively evaluating and grasping risks related to information security at the DICJ and by aptly and effectively implementing necessary measures.

8. Strengthening of Finances, Efficient Organizational Management and Enhancement of the Preparedness to Secure Compliance
 - (i) The DICJ will work to strengthen its financial management and rationalize operations related to its finances and will draw up, execute and manage budget plans that are capable of appropriately dealing with the resolution of financial institution failures, etc.
 - (ii) Taking its financial conditions into account, the DICJ will appropriately determine deposit insurance premium rates to ensure equilibrium in the DICJ's finances (the General Account) in the long term.
 - (iii) In the severe investment environment, the DICJ will continue to conduct appropriate fund management focusing on safety and liquidity. It will seek to raise funds efficiently in light of the funding requirements.
 - (iv) The DICJ will strive to appropriately and efficiently manage the organization and staff in line with the operational policy and in response to the changing environment.
 - (v) The DICJ will strive to implement training programs, etc. in order to ensure that executives and employees take more appropriate actions by raising their awareness about compliance.

9. Collaboration with Affiliated Companies
 - (i) The DICJ will provide necessary guidance and advice so as to ensure appropriate execution of operations by the RCC. In addition, the DICJ will continue to collaborate with the RCC with regard to operations of recovering claims against antisocial forces by using the RCC's servicer function.
 - (ii) The DICJ will cooperate in the appropriate and efficient implementation of operations of the Regional Economy Vitalization Corporation of Japan and the Corporation for Revitalizing Earthquake-Affected Business.
 - (iii) When exercising voting rights as a shareholder against an affiliated company, the DICJ will appropriately exercise the rights in cooperation with relevant authorities, with due consideration to whether the company manages operations in compliance with the purposes of laws and regulations, etc.

10. Establishment of a Framework for Business Continuity at the Time of a Disaster
 - (i) The DICJ will establish a business continuity framework that enables smooth implementation of operations related to failure resolution in case a disaster should occur
 - (ii) The DICJ will continue to implement business continuity training in cooperation with relevant departments and organizations and build a robust business continuity framework so that it can appropriately implement operations related to the settlement of funds, etc.

11. Enhancement of Provision of Information to Depositors and Relevant Parties in and outside Japan
 - (i) The DICJ will strive to conduct easy-to-understand public relations utilizing various media from the standpoint of depositors in order to ensure better understanding by depositors, etc. of such matters as the deposit insurance system and the DICJ's role and operations. The DICJ will also make every possible effort to develop an environment that facilitates two-way exchange of information with financial institutions, etc.
 - (ii) In order to disseminate information widely to relevant parties outside Japan with regard to Japan's deposit insurance system and the DICJ's activities, the DICJ will continue to compile the English version of the Annual Report and enhance the contents of the English version of the DICJ's website.