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Medium-Term Goals (FY2020 – FY2022)

I. The DICJ's Mission

The mission of the DICJ is to appropriately manage the deposit insurance system^(Note) 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 an orderly credit system.

Note: The DICJ also undertakes operations related to capital participation and the grant of funds under the Financial Functions Strengthening Act, operations related to the giving of public notices under the Criminal Accounts Damage Recovery Act, management operations of dormant deposits, etc. under the Dormant Deposits Utilization Act and preparations for implementation of operations under the Account Registration Act and the Account Management Act, and other operations.

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, various measures, including the injection of public funds, have been implemented. The need to secure the financial intermediary function for conscientious and sound borrowers was keenly recognized during the process of overcoming the crisis and various kinds of systems were introduced, which included those for 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. The Incubator Bank of Japan failed in 2010, and the DICJ implemented the first-ever failure resolution through limited coverage in Japan.

Since the global financial crisis, which is symbolized by the collapse of Lehman Brothers in 2008, there have been international debates on financial regulations which intend to prevent recurrence of similar crises. Also, each country has individually undertaken domestic measures for institutionalizing the agreements which they made in the debates. 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 in Japan as well.

In light of the present financial environment, Japan's financial system is stable as a whole, but issues such as a prolonged low interest rate environment and a declining population exert an effect on the profitability of financial institutions. The diversification and sophistication of financial products, financial activities and the operations of financial institutions have proceeded at a remarkable speed in an environment marked by advancements in digitalization and the internationalization of economic activity. Measures for adapting to such changes have been implemented. In addition, various forward-looking discussions are held. To adapt in a timely and proper manner to these changing times and environment, it is critical for the DICJ to tirelessly improve the operation of the deposit insurance system in collaboration with relevant authorities and work to strengthen preparedness for failure resolution and response capabilities.

It is also important to strive to contribute to the activities of the International Association of Deposit Insurers (IADI), etc., and strengthen collaboration with relevant foreign institutions in order to respond to internationalization as an institution of the financial safety net.

In order to steadily implement the aforementioned operations, the DICJ must make efforts such as those to build up and further sophisticate the various systems that are the foundation of the DICJ's management, while also proactively vitalizing organization and streamlining its management.

In May 2021, the Financial Functions Strengthening Act was amended under the Act Partially Amending the Banking Act, etc. in the 204th Diet session. As a result, the DICJ is required to appropriately implement operations related to the grant of funds, which have been newly assigned to the DICJ, in cooperation with relevant authorities. In addition, the DICJ needs to appropriately prepare for implementation of operations under the Account Registration Act and the Account Management Act, among other laws related to digital transformation enacted in the same Diet session.

III. Medium-Term Goals for FY2020–2022

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 FY2020–FY2022 as a roadmap for managing its operations:

(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 study 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.
2. The DICJ will regularly follow up on the status of each financial institution's preparedness for failure resolution and encourage it to strengthen their preparedness, while also giving them advice as necessary. With regard to on-site inspections, the DICJ will work to implement inspections in an efficient and effective manner, such as by focusing attention on matters which may affect failure resolution.
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 executives 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 systems.

(Operations under the Financial Functions Strengthening Act)

5. With regard to capital participation and the grant of funds 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 related to the purchase of the specified difficult recovery claims held by financial institutions, information inquiries on antisocial forces, recovery of damages such as giving public notices on the procedures for criminal accounts damage recovery, and dormant deposits, etc. management.

(Operations under the Account Registration Act and the Account Management Act)

7. The DICJ will appropriately prepare for implementation of operations under the Account Registration Act and the Account Management Act.

(Sound and appropriate management of operations)

8. The DICJ will consider the appropriate deposit insurance premium rates in collaboration with stakeholders.
9. The DICJ will strive to develop and improve the various systems, and will enhance information security measures.
10. The DICJ will strive for its financial soundness and efficient management of its organization.
11. The DICJ will collaborate with affiliated companies, including the RCC, and give guidance and advice to them as necessary.
12. The DICJ will develop a framework for business continuity during disasters.
13. The DICJ will enhance the dissemination of information to depositors as well as relevant parties in both Japan and abroad.
14. The DICJ will strive to further invigorate the organization, carry out personnel training and enhance compliance preparedness, and also appropriately respond to the changing environment.

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, as well as the implementation status and evaluation of the operational policy then and of the preceding fiscal years.

Meanwhile, the DICJ will decide how to deal with the impact of COVID-19 under the operational policy for each year to take account of the circumstances then.

Furthermore, the DICJ will consider how to conduct its operations with an eye to changes in the social and economic structures in a post-COVID-19 world and make revisions as necessary.

I. 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