



# Why Economic Capital Now?

---

Atsushi Miyanoya

Head, Center for Advanced Financial Technology,  
Financial Systems and Bank Examination Department,  
Bank of Japan



# Importance of Economic Capital Management

---

- Growing Importance of Economic Capital Management:

Background:

- (1) Transition to Basel II
- (2) Progress of Financial Innovation
- (3) Expanding Scope of Business in the Finance Industry



# Viewpoints Required for Economic Capital Management

---

- (1) Functionality as a tool to enhance profitability and soundness
  - A framework for precise assessment of risks
  - A device to increase profits in relation to risks
  - A device to maintain capital adequacy in relation to risk
  
- (2) Ability to communicate with various stakeholders



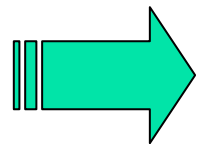
# Challenges for Japanese Banks

---

- Japanese banks currently adopt business models which focus on long-term relationships with customers by using B/S.

<Examples>

- Loans by main banks (EAD tends to increase)
- Holding of stocks of large borrowers



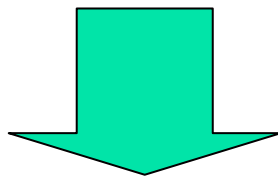
Japanese banks may need a unique approach to economic capital management.



# Purpose of the Workshop

---

- To explore wide-ranging possibilities in economic capital management, and to share knowledge and expertise.



Active discussion is expected among the participants.