

Initiatives for Further Strengthening Coordination between the Financial Services Agency and the Bank of Japan

March 2021

Financial Services Agency and Bank of Japan

(English translation released in July 2022)

The Financial Services Agency (FSA) and the Bank of Japan (BOJ) will work on further strengthening their coordination, as follows.

Current situation

- In recent years, financial institutions' risk profiles have become more complex, and the environment surrounding the financial system has changed significantly, partly reflecting the impact of COVID-19.
- Under these circumstances, it is becoming increasingly important **for the FSA and the BOJ to conduct higher-quality monitoring and reduce the burden on financial institutions by further strengthening their coordination.**

Initiatives

- Based on the above recognition, the two entities established **the Task Force to Strengthen Coordination between the FSA's Inspections Function and the BOJ's On-site Examination Function** in November 2020 and have deliberated on specific issues.
- This document outlines the progress in such deliberations to date and initiatives to be made.

Joint Group

- In December 2020, the FSA and the BOJ established **the Joint Group for Coordinating FSA's Inspections and BOJ's On-Site Examinations**. Through this group, they will continue to **regularly arrange the planning of such inspections and on-site examinations**, and **exchange views on important topics**.

Other necessary frameworks

- The FSA and the BOJ will establish frameworks and procedures to **share the findings of inspections and on-site examinations** while making arrangements with financial institutions.
- The two entities will continue to actively employ **remote methods** in conducting inspections and examinations.

Under these frameworks, the two entities aim to maintain an orderly financial system in Japan by coordinating the FSA's inspection and supervisory activities conducted under the Banking Act with the BOJ's on-site examinations and off-site monitoring conducted pursuant to the Bank of Japan Act and On-site Examinations Agreement.



Will work on improving efficiency and reducing the burden on financial institutions while ensuring the necessary level of intensity with inspections and examinations.

Major banks

- The FSA and the BOJ will establish more effective monitoring frameworks **by closely coordinating the FSA's routine inspections and the BOJ's off-site monitoring**.
 - Regularly exchanging views on their awareness of issues as well as reducing the burden on financial institutions by jointly conducting interviews with financial institutions and requesting submission of documents based on common interests.
 - Enhancing joint surveys on important topics, such as financial soundness, foreign currency liquidity, and cybersecurity (topics to be reviewed according to risks in the financial system).
- **In conducting on-site examinations**, the BOJ will work on improving efficiency while ensuring the necessary level of intensity with the examinations **by avoiding overlapping with off-site monitoring, including joint surveys with the FSA, and by streamlining data submission such as narrowing down the scope of submission and making use of existing documents**. The FSA and the BOJ will also closely coordinate with each other in deciding the schedule of examinations.

Regional financial institutions

- The FSA, the Ministry of Finance's Local Finance Bureaus, and the BOJ will **share the status of conducting/planning inspections and on-site examinations as well as their risk recognition**, and conduct monitoring while **effectively using their respective resources**.

Data submission

- With regard to various data and reports that financial institutions submit to the FSA and the BOJ on a regular basis, the two entities **have decided to integrate and abolish some of the templates** and are steadily making efforts to **unify submission destinations** while **taking into account requests from the financial industry**.
 - Planning to realize the integration and abolition of data separately submitted to the FSA, the BOJ, and industry associations, as well as unification of submission destinations.
 - Planning to reduce the burden on financial institutions by terminating the submission of statistical data uniquely requested by the BOJ's branches and local offices.
 - Enabling the submission of documents associated with the BOJ's on-site examinations other than via its online data exchange system, given the expansion in remote work at financial institutions.
- The two entities will **continue with these efforts for data integration, such as further integrating and abolishing data templates**, thereby reducing the burden on financial institutions.

Common data platform

- In order to further improve the efficiency of collection and sharing of data in the future and enhance monitoring capabilities, the FSA and the BOJ **have engaged in joint research regarding the development of a common data platform**.

Macroprudential policy

- The FSA and the BOJ will continue to **hold multifaceted and effective discussions** on the stability and soundness of the entire financial system (macroprudential analysis, the CCyB, etc.) through various meetings at senior and working levels. On this front, the BOJ will play a leading role while closely coordinating with the FSA.

Bank license / BOJ's accounts

- In screening for a bank license and BOJ current account transactions, the FSA and the BOJ will **conduct joint interviews with an applicant financial institution** about specific issues if they obtain an agreement from that applicant and judge that it could achieve more efficient screening.

Continuing coordination

- In order to further promote initiatives for strengthening coordination, the FSA and the BOJ will **establish a permanent council at the senior level** and continue to work on conducting higher-quality monitoring while reducing the burden on financial institutions.

Meetings with financial industry

- The FSA and the BOJ will **hold meetings to exchange views with the financial industry** about once or twice a year in order to ensure the effective implementation of the coordination in monitoring.