

Press release

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FSB completes peer review of Japan

The Financial Stability Board (FSB) published today its [peer review of Japan](#).

The peer review examined two topics relevant for financial stability and important for Japan: the macroprudential policy framework, and the framework for resolution of financial institutions. The review focused on the steps taken by the authorities to implement reforms in these areas, including with respect to the recommendations in the 2012 Financial Sector Assessment Program (FSAP) report by the International Monetary Fund (IMF).

The peer review finds that progress has been made on both topics in recent years. In particular, the creation of the Council for Cooperation on Financial Stability in 2014 facilitates the periodic exchange of views among senior Bank of Japan (BoJ) and Japan Financial Services Agency (JFSA) officials on macroprudential issues. The establishment of the Macroprudential Policy Office in 2015 has enhanced the JFSA's macroprudential monitoring capabilities. There is improved data collection and use of market intelligence for risk analysis, and enhanced dissemination of information. The analytical frameworks of the BoJ and JFSA have become more sophisticated, while public communication of risk assessments has improved.

In addition, the 2013 revisions to the Deposit Insurance Act introduced a regime for 'orderly resolution' that covers all financial institutions. Few other FSB jurisdictions have implemented such a cross-sectoral resolution regime with a wide range of powers, so this represents a substantial enhancement to Japan's resolution framework. The authorities have also expanded the scope of recovery and resolution planning, and developed a preferred resolution strategy for Japanese global systemically important banks in their proposed framework for the orderly resolution of such firms.

Notwithstanding this progress, the review concludes that there is additional work to be done:

- On the macroprudential policy framework, this involves strengthening the institutional arrangements for financial stability; improving inter-agency cooperation to develop coordinated systemic risk assessments; and broadening systemic risk analysis. Much of this work relates to making macroprudential policy-setting more explicit, with clearer roles and closer cooperation among authorities as well as with stronger analytical tools for decision-making.
- On resolution, this involves developing transparent and formal guidance on the choice of resolution measures; publicly clarifying the resolution funding framework to minimise gaps between market expectations and the authorities' intentions; developing sector-specific adaptations to, and strategies based on, the resolution regime; and ensuring that court involvement does not compromise the timely and effective implementation of

resolution measures. These would ensure that the resolution framework aligns fully with the FSB [Key Attributes of Effective Resolution Regimes for Financial Institutions](#) and is perceived as credible by market participants.

The peer review report includes recommendations to the Japanese authorities in order to address these issues.

Notes to editors

The FSB has been established to coordinate at the international level the work of national financial authorities and international standard setting bodies and to develop and promote the implementation of effective regulatory, supervisory and other financial sector policies in the interest of financial stability. It brings together national authorities responsible for financial stability in 24 countries and jurisdictions, international financial institutions, sector-specific international groupings of regulators and supervisors, and committees of central bank experts. The FSB also conducts outreach with 65 other jurisdictions through its six regional consultative groups.

The peer review of Japan is the eighteenth country peer review conducted by the FSB. These reviews are based on the objectives and guidelines set forth in the [Handbook for FSB Peer Reviews](#). FSB member jurisdictions have committed to undergo an FSAP assessment every five years and, to complement that cycle, an FSB peer review two to three years following an FSAP. As part of this commitment, Japan volunteered to undergo this peer review in 2016. The [schedule of completed and planned country peer reviews](#), as well as [all completed peer review reports](#), is available on the FSB website.

Country peer reviews focus on the implementation and effectiveness of regulatory, supervisory or other financial sector standards and policies agreed by the FSB, as well as their effectiveness in achieving desired outcomes. They examine the steps taken or planned by national authorities to address IMF-World Bank FSAP and Report on the Observance of Standards and Codes recommendations on financial regulation and supervision as well as on institutional and market infrastructure that are deemed most important and relevant to the FSB's core mandate of promoting financial stability. Country reviews can also focus on regulatory, supervisory or other financial sector policy issues not covered in the FSAP that are timely and topical for the jurisdiction itself and for the broader FSB membership. Unlike the FSAP, a peer review does not comprehensively analyse a jurisdiction's financial system structure or policies, or its compliance with international financial standards.

The report published today describes the findings and recommendations of the peer review of Japan. The draft report was prepared by a team of experts drawn from FSB member institutions and led by Andreas Dombret, Member of the Executive Board of the Deutsche Bundesbank. The review benefited from dialogue with the Japanese authorities and private sector representatives as well as from discussion in the FSB Standing Committee on Standards Implementation.

The FSB is chaired by Mark Carney, Governor of the Bank of England. Its Secretariat is located in Basel, Switzerland, and hosted by the Bank for International Settlements.

For further information on the FSB, visit the FSB website, www.fsb.org.