

WORLD TRADE ORGANIZATION

RESTRICTED

S/FIN/W/15

13 July 2000

(00-2862)

Committee on Trade in Financial Services

Original: English

COMMUNICATION FROM JAPAN

The Establishment of the Financial Services Agency

The following communication is circulated at the request of Japan to Members of the Committee on Trade in Financial Services.

The Financial Services Agency (FSA) was established on 1 July 2000, with the integration of the Financial Supervisory Agency and the Financial System Planning Bureau of the Ministry of Finance. The mission statement and the six basic policy principles of the new agency is summarized below.

Mission

The FSA's mission is to make the financial system reliable and vigorous, and the financial markets fair and efficient. The FSA aims to contribute to the national welfare and economy by pursuing this mission. The financial system performs indispensable functions for the economy, transmitting funds and intermediating risks among economic entities and providing settlement services to them. Without a sound and efficient financial system, it is impossible to improve national welfare or develop the economy. The financial markets are at the core of the financial system. They need to be developed so that the users can benefit from their proper functioning fully and with confidence.

The FSA will perform its regulatory functions relying upon market discipline and the principle of self-responsibility. In light of the rapid development of financial technologies and the globalization of financial activities, the FSA strives to maintain high expertise and to develop policies consistent with international rules and practices. In doing so, the FSA endeavors to protect depositors, policyholders, investors, and other users of the financial system, and also to make the financial markets more convenient for them. Clarity of rules is at the FSA's priority and the FSA will implement them promptly and correctly. The FSA intends to enhance the transparency of its policy planning and administrative procedures. The FSA is committed to be accountable in all stages of its activities.

The FSA is responsible for all aspects of financial regulation, from the designing of financial systems to inspection, supervision, and surveillance of financial activities. The FSA is also responsible for all kinds of financial services, such as banking, securities business, and insurance. The FSA intends to make full use of these capacities to achieve timely and consistent implementation of policies in order to respond to challenges arising from changes in the financial environment.

Basic Policies

1. Establishing a reliable and vigorous financial system

Efforts have been made to stabilize Japan's financial system. As a result, it has on the whole regained its stability. In the light of the scheduled termination on 31 March 2002 of the emergency measure to protect all bank deposits, the FSA will work further to strengthen the financial system. As the financial system constitutes a basis for all economic activities, the FSA seeks to develop a vigorous financial system and to promote competition so as to revitalize the national economy. Further, the FSA seeks to ensure the smooth flow of credit in order that sufficient capital will be supplied to small and medium sized enterprises and new industries, thus contributing to the growth of the national economy.

2. Developing a state-of-the-art financial infrastructure

With the development of financial technology and information and communication technology, and the globalization of financial and economic activities, cross-sectoral financial products and services are being rapidly developed. User-friendly financial markets attract international capital. Such tendencies will accelerate further. In light of these, the FSA aims to develop a user-friendly financial infrastructure, in order to sustain and improve the role of the Japanese markets in the world. The market infrastructure shall be at the state-of-the-art in the new millennium.

3. Development and proper implementation of regulations to protect users

With the variety of financial products and services being widely used, the FSA intends to create the framework for the protection of users of financial products and services so that they can conduct financial transactions with confidence under the principle of self-responsibility. For that purpose, the FSA will develop and implement regulations to protect users and will expand its consumer education efforts so as to promote public understanding in financial products and financial transactions.

4. Ensuring transparency and fairness in financial administration based on clear rules (market discipline and the principle of self-responsibility)

The FSA is committed to achieving transparent and fair financial administration in every respect under clear rules based on market discipline and the principle of self-responsibility. Accordingly, in the areas of inspection, supervision, and surveillance, the FSA intends to ensure the efficiency and effectiveness of its activities and clarity of its rules, improve administrative procedures, and strengthen public relations. The FSA will promote enhanced disclosure by financial institutions to further improve transparency of their business, to place market discipline on them, and to establish the principle of self-responsibility among depositors, etc.

5. Enhancing the expertise and foresight of the staff and improving the administrative structure

The FSA seeks to enhance the expertise and foresight of its staff to respond adequately and rapidly to changes in the financial environment such as the growing complexity of financial activities and the development of information and communication technology. From this viewpoint, the FSA seeks to train and secure staff with expertise and broad perspectives by improving personnel training, envisaging the establishment of an institute for financial studies, and developing a strong organizational structure.

6. Reinforcing cooperation with foreign regulators and contributing to international rule-setting

The FSA will strengthen cooperation with foreign financial regulatory authorities and promote exchange of information to respond to the globalization of financial activities and transactions. The FSA intends to expand communication with the international community. The FSA will contribute to international rule-setting and in other efforts to building a resilient international financial architecture.
