GLI GLOBAL LEGAL INSIGHTS

Banking Regulation

2023

10th Edition

Contributing Editors: **Peter Ch. Hsu & Daniel Flühmann**

glg global legal group

CONTENTS

Japan

Koji Kanazawa & Katsuya Hongyo
Chuo Sogo Law Office, P.C.

Introduction

There are currently around 30 major banks, 100 regional banks and 55 foreign bank branches in Japan. With the continuing policy of low interest rates (unlike in other countries that have converted to positive interest rate policy) and the ageing population, the economic situation has not been easy on banks in Japan, and this situation is not likely to improve any time soon. To address this situation, deregulatory measures have been introduced in the banking sector in recent years aiming to improve banks' earnings, focusing especially on regional banks that are experiencing difficult conditions. Furthermore, it is expected that the existing banking regulations will be further amended to reinforce the banks' business foundation.

Regulatory architecture: Overview of banking regulators and key regulations

Banking regulators

The Japanese banking sector is governed and regulated by the Financial Services Agency ("FSA"), the authority responsible for ensuring the stability of Japan's financial system, giving protection to depositors, policyholders and investors, and maintaining smooth finance through planning and policymaking, inspection and supervision of financial institutions, and monitoring of securities transactions. The FSA comprises three major bureaus: the Strategy Development and Management Bureau; the Policy and Markets Bureau; and the Supervision Bureau. The Commissioner of the FSA delegates a part of the authority for inspection and supervision of financial institutions to the Directors-General of Local Finance Bureaus (local branches of the Ministry of Finance).

The Bank of Japan ("BOJ") also conducts examinations of banks' operations and assets (called "*Nichigin Kousa*"). In November 2020, a task force was established to discuss how to enhance cooperation between the FSA's inspections and the BOJ's examinations. The FSA and the BOJ have announced that they would conduct high-quality monitoring of financial institutions, thus reducing their respective burdens, through measures such as data integration and sharing results of inspections.

The Deposit Insurance Corporation of Japan ("DICJ") conducts several types of on-site inspections, such as inspections based on the Deposit Insurance Act, which examine payments of insurance premiums, and inspections based on the Criminal Accounts Damage Recovery Act, which examine procedures for damage recovery benefits.

Key banking regulations

The Banking Act of Japan, which has been amended again and again since its enactment, is the core banking legislation providing a basic regulatory framework for the Japanese

banking sector. More notably, over the past several years, the Act has been frequently amended as part of deregulatory measures to help Japanese banks address and respond to significant changes in their external environment, such as the historically low interest rates and FinTech developments.

In its role as an overseer of banks pursuant to the Banking Act, the FSA has established "Comprehensive Guidelines for Supervision of Major Banks, etc." to guide bank regulators in their supervision over banks. While these Guidelines have been drafted mainly for the regulators' reference, they stipulate many important principles and rules for private banks to follow; indeed, the Guidelines have become an essential source of Japanese banking regulations. In addition, the answers given by the FSA during public consultations on key regulations not only reveal its views and interpretations on the subject, but are also important regulatory sources for study and consideration by private banks.

Recent regulatory themes and key regulatory developments

The recent revision of the Banking Act affects mainly the scope of business of banks and bank groups. The prudential regulations, including the capital adequacy ratio, are being progressively strengthened based on the Basel III Regime. Moreover, as regulations relating to the business scope of banking institutions differ from country to country, Japan is shifting toward significantly easing its approach *vis-à-vis* international rules. Accordingly, the business scope has recently been relaxed in IT-related businesses and operations contributing to building a sustainable society and regional revitalisation.

Major topics of Banking Act amendments in 2016

Clarification of business management obligations within a financial group

A bank holding company or a bank at the top of a group (i.e., the bank that is not a subsidiary of another bank or bank holding company) manages the group's business, including formulation and proper implementation of the group's basic policy management. Since the Banking Act amendment of 1998, the government's view has been that it is appropriate to manage risk on a whole-group basis while clearly defining the boundaries of banking groups. In line with this approach, a banking group is required to disclose financial statements and non-performing loans on a consolidated basis. Furthermore, banks' capital adequacy ratios, leverage ratios, liquidity coverage ratios, large exposure restrictions, and arm's length rules serve as indispensable tools for the management of banking groups on a consolidated basis.

Facilitating investment in finance-related IT companies, etc.

A bank or a bank holding company may, by obtaining authorisation, acquire or hold voting rights in excess of the standard number of voting rights with regard to voting rights of a company that engages in business that contributes to the advancement of banking business or the convenience of users through the use of information and communications technology or other technologies, or business that is expected to contribute to such business ("Advanced Banking Service Companies").

Special provisions on foreign bank agency services

When a Japanese bank or a branch of a foreign bank intends to operate an agency or intermediary service (a foreign bank agency service) for a foreign bank, in most cases it is necessary to obtain the approval of the FSA. Such approval is required for each foreign bank that acts as a contractor (individual authorisation system). In the relevant amendment, as a special exception to the individual authorisation system, a comprehensive authorisation system was introduced at the level of the foreign bank group including the bank acting as an outsourcing entity.

Major topics of Banking Act amendments in 2017

Development of systems for electronic payment services

In response to an increasing number of financial services providers acting as intermediaries for services between users and financial institutions, the relevant amendment to the Banking Act stipulates for the registration of "electronic payment services". These electronic payment services refer to a business operator who transmits payment instructions on behalf of a user to a bank or acquires information pertaining to an account from a bank and provides it to a user through the use of IT.

Before carrying out the electronic payment services, such service provider must enter into and make public a contract for these services with a bank. Such contract is required to stipulate (a) matters concerning sharing of liability for damages the user may sustain, and (b) measures for the proper handling and safety management of information pertaining to users obtained in relation to the electronic payment services, and other matters. The electronic payment service provider has to carry out its business in accordance with the aforementioned contract.

Major topics of Banking Act amendments in 2019

Addition of a new incidental service: the service of providing customer information to a third party

To promote better utilisation of data, the following services have been added as incidental services of banks: the service of providing customer information acquired from the customer to a third party with the customer's consent; or any other service in which the bank provides information it retains to a third party for the purpose of (a) improving the banking business, or (b) enhancing the convenience of bank users.

Review of regulations on the Large Exposure Restrictions in 2020

The Banking Act prohibits banks and groups of banks from extending credit to a specific company or person or parties related to them in excess of a certain proportion of their own capital in order to reduce credit concentration risk ("Large Exposure Restrictions"). These Large Exposure Restrictions stipulate that the amount of credit (such as loans, debt guarantees and equity investments) provided to a certain group of recipients by banks on a non-consolidated basis and on a group basis may not, as a general rule, be more than 25% of the amount of equity capital. The main contents of this revision are as follows:

- Introduction of a look-through method for funds and securitised products (when individual assets are 0.25% or more of equity capital).
- While applying Credit Risk Mitigation ("CRM") techniques, such as qualified guarantees, banks must recognise their exposure to CRM providers. The amount of exposure is the amount by which exposure to the original counterparty is being reduced.
- Call loan accounts are added to the scope of "credit" under these restrictions (with due dates other than intraday).

Major topics of Banking Act amendments in 2021

Expansion of business of Advanced Banking Service Companies

The following revisions have been made with respect to the Advanced Banking Service Companies introduced by the revision of the Banking Act in 2016:

- Expanding the definition of an Advanced Banking Service Company to include "operations that contribute to the revitalization of regions, the improvement of industrial productivity, and other aspects of building a sustainable society".

- Easing approval standards for Advanced Banking Service Companies that provide all or any of the following services ("Certain Advanced Banking Service Companies").
  - FinTech services;
  - regional trading services with limited inventories and limited manufacturing and processing functions;
  - registered-type staffing services that contribute to the improvement of the business;
  - design, custom, sales, and maintenance of IT systems and programs developed by banks;
  - data analysis, marketing and advertising;
  - management of automatic teller machines, including their maintenance and inspection;
  - consultations related to the adult guardianship system and services relating to the affairs of adult guardians; and
  - other additional and incidental businesses.
- Easing governmental approval requirements for the acquisition of Certain Advanced Banking Service Companies. Previously, government approval was required for the acquisition of more than 5% of voting rights of a Certain Advanced Banking Service Company, but after the amendment, an approval is required only for the acquisition of more than 50% of such entity's voting rights (note, however, that a notification is required for acquisitions of more than 5% but less than 50% of its voting rights).
- In cases where a bank group that has been certified to possess certain qualities, such as having a certain level of financial soundness and governance, engages in "certain advanced services" as a subsidiary of a bank holding company, a notification system will be adopted dispensing with the need for individual approval.

Expansion of a bank's ancillary business

Businesses that mainly utilise management resources related to the banking business and contribute to the establishment of a sustainable society have been added to the ancillary businesses in which a bank can now engage. Specifically, these new businesses include:

- businesses such as consulting services and corporate matching services;
- registered-type staffing services that contribute to the improvement of the bank's business;
- design, custom, sales, and maintenance of IT systems and programs developed by banks;
- data analysis, marketing and advertising; and
- daily life support services for the elderly and other users provided by sales representatives of banks.

Elimination of income dependency restrictions on dependent services

Numerical standards mandated by regulation for the dependence on income for dependent operations have been repealed. As a result, only the "conduct of business for the bank, etc." is required for a dependent business company. Moreover, the scope of the term "the bank, etc." has now been expanded to include the bank's subsidiary and affiliated companies and the bank holding companies. Before the amendment, dependent business companies that provided services to multiple banking groups were required to have total revenues from those groups equal to or exceeding 90% of their total revenues, and to have revenues from a bank or banks belonging to each group. After the amendment, dependent business companies are subject to the same requirements as in the case of providing services only to the parent banking group.

Partial changes in common and duplicated operations to the notification system

Among common and duplicate businesses, back-office operations, including operations related to welfare and purchasing and managing office supplies, no longer require government authorisation, and a notification to the government will suffice.

Deregulation of investment

In view of a shortage of providers of capital funds in the region, the following points have been revised within the investment regulations for a bank group:

- Expansion of the scope of operations of companies that specialise in investing:
  - Investments in venture business companies, business succession companies, and regional revitalisation business companies must be made through specialised investment companies. Before the amendment, the scope of business of specialised investment companies was limited to investments and loans, and operations incidental thereto. An addition of consulting and other services to the company's operations is to strengthen the hands-on support capabilities of specialised investment companies.
- Easing the requirements for venture business companies:
  - The numerical standards have been repealed, and it is now acceptable if the company is a small or medium-sized enterprise engaged in new business activities and 10 years have not yet passed since the later of the date of the establishment of the new company or the date of the commencement of the new business activities.
- Enabling early support of business revitalisation companies:
  - Requiring the preparation of management improvement and rehabilitation plans with the involvement of certain third parties other than the banking group instead of requiring a court decision to approve a rehabilitation plan in legal insolvency procedures, etc.
- The maximum period for holding of voting rights in the business succession companies has been extended from five years to 10 years.
- The limitation of investment in regional revitalisation companies has been increased from 50% to 100%.

Scope of business of foreign subsidiary companies and foreign sister companies

Before the amendment, when a Japanese bank group acquired a foreign financial institution that owned a foreign subsidiary, the bank group, as a general principle, was required to sell such foreign subsidiary within five years after the acquisition if the business of such foreign subsidiary conflicted with the scope of business restrictions under the Banking Act. However, this principle has now been changed and the application of the scope of business restrictions has been extended to 10 years after the acquisition. Thereafter, if there is a need for competition in the foreign country, the bank group may hold the foreign subsidiary without any time limitation subject to the FSA's approval.

Also, whereas, under the previous system, banks were not allowed to acquire foreign leasing companies and moneylenders that were also engaged in general business, with the 2021 amendment, banks are now permitted to acquire these businesses, and the scope of business restrictions has been extended to 10 years after the acquisition. Thereafter, if there is a need for competition in the foreign country, a Japanese bank group may own such foreign leasing companies and moneylenders without any time limitation subject to the FSA's approval.

Major topics of 2022 amendments to the Banking Act and Payment Services Act

Establishment of Electronic Means of Payment transaction business

The Payment Services Act classifies digital money, such as storable coins, as "Electronic Means of Payment" ("EMPs"), and assumes that banks, fund transfer service providers, and trust companies are all issuers of EMPs. The Act also considers persons who sell or purchase EMPs, or exchange EMPs for other EMPs, as businesses that must be registered. The Act defines a registered person as an "Electronic Means of Payment Trader" and imposes regulations on the protection of users of EMPs and anti-money laundering/counter-financing of terrorism ("AML/CFT").

Establishment of new regulations pertaining to exchange transaction analysis businesses

The amendment to the Payment Services Act introduced a licensing system for businesses engaged in exchange transaction analysis that are commissioned by banks and other financial institutions to conduct joint transaction filtering and monitoring from the perspective of sanctions laws and AML/CFT. The FSA will supervise licensed exchange transaction analysis business operators.

Bank governance and internal controls

Under the Banking Act, a bank is required to be a stock company ("*Kabushiki Kaisha*"); as such, it has: (a) a board of directors; (b) a board of company auditors, an audit and supervisory committee, or nominating, compensating and auditing committees; and (c) an accounting auditor. The banks listed on the Japanese stock market are required to disclose their governance status pursuant to Japan's Corporate Governance Code, which takes the so-called "comply or explain" approach. Under this approach, in case a bank does not comply with the Code's recommendations, an explanation of the reasons for non-compliance needs to be disclosed. The "Comprehensive Guidelines for Supervision of Major Banks, etc." provide supervisory guidelines as to what kind of governance measures the banks should take. The Guidelines also stipulate the required internal controls for the banks, including compliance, countermeasures against financial crimes, AML/CFT and anti-social forces, and consumer protection.

Bank capital requirements

Japan is gradually revising its domestic prudential regulations based on the content of the Basel III agreement, which was finalised in the wake of the global financial crisis of 2008.

Capital adequacy ratio

The equity ratio is calculated using the amount of risk assets as the denominator and equity capital as the numerator. There are two methods for calculating risk assets: the standard method, which is calculated by multiplying the amount of assets held by a certain risk weight; and the internal ratings-based approach, which calculates the amount of risk assets by substituting the default rate estimated according to the banks' internal ratings into a predetermined formula. Adoption of the internal rating methodology requires regulatory approval to meet requirements, but Basel III has limited the use of the methodology for some risk exposures, including equity risk exposures.

The Capital Adequacy Ratio Regulation requires the capital adequacy ratio to exceed a certain level. This certain level varies widely depending on whether the bank in question is an internationally active bank (a bank with an overseas business base) or a domestic bank (a bank without an overseas business base).

For internationally active banks, the following three criteria must be met:

- The total capital ratio (calculated by dividing the sum of Common Equity Tier1 plus other Tier1 plus Tier2 by risk-weighted assets) may not be less than 8%.
- Tier1 capital ratio (calculated by dividing the sum of Common Equity Tier1 plus other Tier1 by risk-weighted assets) may not be less than 6%.
- Common Equity Tier1 ratio (Common Equity Tier1 divided by risk-weighted assets) may not be less than 4.5%.

In addition, the capital conservation buffer (2.5%), the countercyclical buffer (2.5% maximum, 0% within Japan and set for each country) and G-SIBs (global systemically important banks)/D-SIBs (domestic systemically important banks) (3.5% maximum, and

0.5 to 1.5% for banks selected in Japan) have been phased in for internationally active banks since 2016. In addition, G-SIBs are required to have Total Loss-Absorbing Capacity, which is based on the Basel Framework.

Domestic banks, on the other hand, are required to maintain a capital adequacy ratio (core capital divided by risk-weighted assets) of no less than 4%.

In addition, although not by way of a capital requirement, banks need to satisfy, as a prudential requirement, other standards such as liquidity standards (liquidity coverage ratio, stable funding ratio) and leverage ratio.

Early Correction Measures

In Japan, a violation of the capital adequacy standards is an important benchmark used by the authorities to take administrative measures including issuance of business improvement orders to banks. When a bank violates the capital adequacy ratio standards, an order for business improvement is first issued, and when the ratio of non-achievement increases to or exceeds a certain level, an order for business reduction, business suspension, or discontinuation of banking business may be issued ("Early Correction Measures").

Banks that are not eligible for Early Correction Measures have mechanisms to encourage management improvement aimed at maintaining and improving soundness based on risks not captured in the capital adequacy ratio (such as concentration risk, interest rate risk) ("Early Warning System").

For foreign bank branches, corresponding capital adequacy ratio standards have not been introduced, and neither capital adequacy requirements nor Early Correction Measures are being applied to them.

Rules governing banks' relationships with customers and other third parties

Provision of information to depositors

When accepting deposits, banks must provide their customers with information on such deposits. Specific information to be provided is stipulated in the Regulation for Enforcement of the Banking Act, which contains detailed explanations of the deposits, such as clarification of interest rates on major deposits, the amount of commissions, and deposits subject to deposit insurance, and information on the absence of principal guarantees in deposits containing derivatives. In addition, a bank that handles securities or insurance products must provide an explanation that securities or insurance products are not deposits.

Customer information management, including compliance with the Personal Information Protection Law, and management of outsourcees

Banks are required to take measures to ensure the proper management of customer information obtained in connection with their business. Details on customer information management are set forth in supervisory guidelines. Banks dealing with personal information relating to customers who are individuals must comply with regulations related to the Personal Information Protection Law. In particular, financial institutions are required to take more strengthened measures than general companies in accordance with the Guidelines on the Protection of Personal Information in the Financial Sector.

Banks are also required to take measures to ensure proper performance of their business when entrusting business to others. Details on the management of entities to which business is outsourced are provided in supervisory guidelines. For example, in an outsourcing contract, banks should take measures such as imposing on the service-providing entity the same customer information management obligations as those applicable to the banks.

Large Exposure Restrictions

Under the Large Exposure Restrictions, the Banking Act prohibits banks and groups of banks from extending credit to a specific company or person or parties related to them in excess of a certain proportion of their own capital. The amount of credit extended to certain parties will be aggregated, including parent-child and sibling companies (based on the control criteria) and affiliated companies (based on the impact criteria). Credit as used herein refers to guarantees, equity investments, debts, and the like, as more specifically stipulated in the Regulation for Enforcement of the Banking Act and the FSA Public Notice. In general, the maximum amount of credit is calculated by multiplying equity capital by 25%; however, for some recipients, such as major shareholders of banks, the amount of equity capital is to be multiplied by 15%. The amount of equity capital is the amount of Tier1 equity for internationally active banks and the amount of total capital for domestic banks. On the creditor side, the amount of credit extended by the bank and its subsidiary corporation, etc. (parent-child relationships based on the control criteria) is combined to determine whether that amount exceeds the upper limit of the amount of credit.

Arm's length rule

A bank may not conduct transactions with its Specified Related Parties or their customers if the terms of such transactions would prejudice the bank or unduly prejudice any of the Specified Related Parties as compared to the ordinary terms and conditions of transactions conducted by the bank. Provided, however, that the foregoing does not apply when there is an unavoidable reason, such as when funds are loaned within the financial group, and such transaction has been approved by the authorities.

Prohibited acts

The Banking Act prohibits banks from engaging in certain acts, as set forth below. In the past, some banks have been found to have abused their "dominant bargaining position"; moreover, sales of unnecessary bundled products by the banks have created notable problems. In recent years, however, it has been pointed out that banks do not necessarily hold a dominant bargaining position *vis-à-vis* their customers.

False notice

Making false statements to customers is prohibited.

Offering conclusive judgment

Banks are prohibited from providing customers with conclusive judgments regarding matters that are not certain, or telling them things that might lead them to believe that such matters are indeed certain.

Bundled sales

As a general rule, banks are prohibited from providing customers with credit or promising to extend credit on the condition that they carry out transactions pertaining to the business operated by the banks or a specified person to the banks. By way of exception, when it is not unreasonable, e.g., when it is reasonable to carry out multiple transactions as a package, the foregoing prohibition does not apply. Banks are also prohibited from unjustly providing customers with credit or promising to extend credit on the condition that they deal with a business designated by them.

Non-announcement of material facts

Failure to inform a customer of an important matter in light of that customer's knowledge, experience, financial status, or purpose of executing a given transaction in accordance with

the content and method of business it engages in, or informing a customer of something that is likely to lead to a misunderstanding, is prohibited.

Abuse of dominant bargaining position

An act that unjustly uses a dominant bargaining position of a bank to disadvantage a customer with a view to implementing a transaction is prohibited.

Development of conflict-of-interest management systems

Banks must establish a system for ensuring that the interests of their customers and their subsidiary financial institutions are not unreasonably harmed in connection with the transactions of the banks and their parent-subsidiary financial institutions. This is referred to as the establishment of a conflict-of-interest management system.

Specifically, banks are required to: (1) establish systems to identify the transactions they intend to enter into (to identify transactions that might unduly harm the interests of customers); (2) establish systems to ensure the proper protection of customers; (3) formulate and publicise policies relating to (1) and (2); and (4) preserve records pertaining to (1) and (2). Examples of (2) include setting up the so-called Chinese Walls, changing the terms and methods of trading, suspending trading, and disclosing of information.

Confidentiality

Based on precedents, financial institutions may not, without justifiable cause, disclose customer information, such as information on transactions with customers and information on customers' credit obtained in connection with transactions with customers. These obligations of financial institutions are generally referred to as confidentiality obligations. If it is clear that financial institutions are leaking customer information without legitimate cause in violation of confidentiality obligations, the authorities may intervene (by way of issuing instructions or imposing supervision) on the ground that there is a problem with the customer information management system.

Principles of customer-oriented business conduct

There are seven principles of customer-oriented business conduct and each principle is accompanied by interpretation notes. These principles were formulated with the aim of encouraging financial businesses to compete for the provision of better customer-oriented financial products and services. Financial institutions that have adopted customer-oriented principles are required to formulate and publish a clear policy for realising customer-oriented business conduct. Most banks in Japan, including branches of foreign banks, have adopted these principles.

Customer-oriented principles employ the so-called "Principles-Based Approach" to encourage competition among financial companies for customers looking for high-quality, customer-oriented financial products and services. In addition, financial institutions that accept customer-oriented principles are not required to implement all of the seven principles; instead, the concept of "comply or explain" has been adopted, allowing them to explain the reasons and implement alternative measures *in lieu* of some of the principles. Furthermore, even if banks violate any of the principles they have adopted, they are not automatically subject to administrative actions by the FSA.

AML/CFT

With regard to AML/CFT in Japan, the related laws and regulations, such as the Act on Prevention of Transfer of Criminal Proceeds and the Foreign Exchange and Foreign Trade Act, require banks, among other things, to confirm customer identity and the purpose of the transaction at the time of opening of an account, and to report to the authorities any

suspicious transactions involving criminal proceeds. In addition, financial institutions are required to comply with the content of the Guidelines for AML and CFT published by the FSA. According to these Guidelines, specified business operators, including financial institutions, need to identify and assess risks related to customers' operations in a timely and appropriate manner and take mitigating measures commensurate with such risks (so-called "risk-based approaches"), while taking into account any changes in the international situation. The results of the Fourth Round Mutual Evaluation of Japan by the Financial Action Task Force were published in August 2021, and Japan was rated as a country requiring an enhanced follow-up. Faced with that result, Japanese authorities are stepping up their supervisory efforts by conducting inspections performed simultaneously over various financial institutions carrying high AML/CFT risk. Furthermore, Japanese authorities may also seek to further strengthen regulations relating to AML/CFT.

Regulatory framework on sanctions

Under the Foreign Exchange and Foreign Trade Act – in Japan, and under U.S. OFAC regulations – in the U.S., banks are required to confirm at the time of entering into transactions with customers that (a) the transactions are not conducted with sanctioned countries, regions or people (such as specially designated nationals), (b) customers do not have assets in such countries or regions, and (c) the purpose of currency remittance is not related to such countries or regions.

Financial alternative dispute resolution

In Japan, alternative dispute resolution ("ADR") procedures are in place in addition to lawsuits to resolve disputes between banks and their customers. Financial ADRs impose three obligations on financial institutions in order to enhance the protection of users of banking services: (i) acceptance of procedures; (ii) submission of business explanations and materials; and (iii) honouring the results. In the case of banks, the Japanese Bankers Association ("JBA") is the designated dispute resolution organisation. It is necessary for banks to conclude a Basic Contract of the Implementation of Dispute Resolution Procedures with the JBA. And, if a petition for a financial ADR is filed by a customer, the bank is obligated to execute procedures based on that Contract.

Deposit insurance system by the DICJ

In Japan, as in other countries, the insurance system aims to protect depositors' deposits in the event of bankruptcy of a financial institution. The system works as follows: financial institutions pay deposit insurance premiums to the DICJ, and, in the event that a financial institution fails, the DICJ protects depositors by paying a certain amount of insurance money. Regarding the scope of the protection, the deposits for settlement are protected for up to the total amount of principal, and the principal and interest of general deposits are protected for up to 10 million yen. Amounts exceeding 10 million yen may be repaid either in part or in full depending on the status of the assets of the failed financial institution. In contrast, foreign currency deposits, certificates of deposit, and financial bonds are not covered by this protection.

Koji Kanazawa
Tel: +81 3 3539 1877 / Email: kanazawa_k@clo.gr.jp

Koji Kanazawa has advised multiple financial institutions on all aspects of their operations, with a focus on financial regulatory matters. In particular, with his experience working at the Japanese Financial Services Agency, he has worked on compliance/risk management issues of financial institutions including AML/CFT, countermeasures against anti-social forces, and personal data protection. He has represented both Japanese and overseas clients, including banks, insurance companies, asset management companies, investment funds, credit card companies, leasing companies and non-bank finance companies. Such representation extends to complex financial regulatory matters (including issues relating to the Banking Act, the Insurance Business Act, the Financial Instruments and Exchange Act, the Money-lending Control Act, the Investment Act and the Asset Securitization Act), structured finance and litigation arising from sales of financial instruments.

Katsuya Hongyo
Tel: +81 3 3539 1877 / Email: hongyo_k@clo.gr.jp

Katsuya Hongyo represents Japanese and overseas clients, including banks, insurance companies, asset management companies, and fintech start-ups. His practice focuses on financial regulation, finance, mergers and acquisitions, compliance/risk management, and litigation, drawing in large part on his experience working as a visiting attorney at Kirkland & Ellis LLP in Chicago and as a seconded attorney at the Japanese Financial Services Agency. During his secondment, he revised financial regulations to enable banks to invest in trading companies that expand local SMEs' sales channels and clarify requirements for banks to deal with cryptoassets or operate information banking businesses. He also partly drafted the Act on Special Provisions of the Antimonopoly Act, making it easier for banks to integrate their business, and responded to inquiries from banks for an interpretation of banking regulations.

Chuo Sogo Law Office, P.C.

Hibiya Kokusai Building, 18th floor, 2-2-3 Uchisaiwaicho, Chiyoda-ku, Tokyo 100-0011, Japan
Tel: +81 3 3539 1877 / URL: www.clo.jp

www.globallegalinsights.com

Other titles in the **Global Legal Insights** series include:

AI, Machine Learning & Big Data
Blockchain & Cryptocurrency
Bribery & Corruption
Cartels
Corporate Tax
Employment & Labour Law
Energy
Fintech
Fund Finance
Initial Public Offerings
International Arbitration
Litigation & Dispute Resolution
Merger Control
Mergers & Acquisitions
Pricing & Reimbursement

GLI GLOBAL LEGAL INSIGHTS