

PANORAMIC

BANKING REGULATION

Japan



LEXOLOGY

Banking Regulation

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Contents

Banking Regulation

REGULATORY FRAMEWORK

- Key policies
- Regulated institutions
- Primary and secondary legislation
- Regulatory authorities
- Government deposit insurance
- Transactions between affiliates
- Regulatory challenges
- Consumer protection
- Future changes

SUPERVISION

- Extent of oversight
- Enforcement

RESOLUTION

- Government takeovers
- Bank failure
- Planning exercises

CAPITAL REQUIREMENTS

- Capital adequacy
- Undercapitalisation
- Insolvency
- Recent and future changes

OWNERSHIP RESTRICTIONS AND IMPLICATIONS

- Controlling interest
- Foreign ownership
- Implications and responsibilities

M&A AND CHANGES IN CONTROL

- Required approvals
- Foreign acquirers
- Factors considered by authorities
- Filing requirements
- Time frame for approval
- Regulatory trends

UPDATE AND TRENDS

Key developments of the past year

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REGULATORY FRAMEWORK

Key policies

What are the principal governmental and regulatory policies that govern the banking sector?

Japan's banking regulatory framework is grounded in the recognition of the public nature of banking and is designed to ensure the sound and appropriate operation of banks. As articulated in Article 1 of the Banking Act, the regulatory framework seeks to maintain confidence in the banking system, protect depositors and other users, and ensure the smooth functioning of finance, thereby contributing to the sound development of the national economy.

The Financial Services Agency (FSA) functions as Japan's primary financial regulator and supervisor. Pursuant to Article 1 of the Financial Services Agency Establishment Act, the FSA is mandated to secure the stability of Japan's financial system, protect depositors and other similar stakeholders, and promote the smooth functioning of finance. To fulfill this mandate, the FSA is responsible for comprehensive regulatory functions, including policy planning, rulemaking, licensing, inspections, and ongoing supervision of banks.

Law stated - 11 2026

Regulated institutions

What are the defining characteristics of a bank to be caught by the banking laws and regulations? Is non-bank fintech regulated differently?

Under the Banking Act, institutions engaging in accepting deposits and lending funds, or conducting fund transfer transactions, are required to obtain a banking license. Banks must be formed as joint-stock companies (Kabushiki Kaisha) and are subject to strict capital, governance, and business conduct rules.

In contrast to traditional banks, fintech providers in Japan are regulated under an activity-based regulatory framework. This means that non-bank entities are subject to regulation depending on the specific financial services they offer. In particular, fintech companies engaged in fund transfer services operate under the Payment Services Act and must obtain the appropriate registration as Type I, Type II, or Type III Funds Transfer Service Providers, depending on the nature and size of the transactions handled.

Law stated - 11 2026

Regulated institutions

Do the rules vary depending on the size or complexity of the banking institution?

Japan adopts a single banking license regime under which both traditional banks operating physical branch networks with staff and fully digital banks without physical branches are regulated under the same licensing framework. That said, digital banks may be subject

to tailored licensing conditions and differentiated supervisory approaches that reflect their business models, operational structures, and risk profiles.

With respect to prudential standards, Japanese banking regulations vary according to the size, international activity, and complexity of each institution, as reflected in the Basel regulatory framework. Internationally active banks are subject to comprehensive Basel standards. In contrast, domestically focused banks are subject to simplified capital adequacy standards. In addition, systemically important banks face enhanced requirements, including additional capital buffers and resolution-related measures, reflecting their potential impact on overall financial stability.

Law stated - 11 2026

Primary and secondary legislation

Summarise the primary statutes and regulations that govern the banking industry.

Japan's banking industry is governed by a comprehensive set of statutes and regulatory instruments designed to ensure the stability, integrity, and proper functioning of the financial system. The key legal instruments are as follows:

- Banking Act – core statute governing licensing, business scope, governance, capital adequacy, supervision, and enforcement.
- Financial Instruments and Exchange Act (FIEA) – regulates securities and investment services by banks.
- Payment Services Act (PSA) – regulates fund transfer services, stablecoins, and electronic payment-related services.
- Deposit Insurance Act (DIA) – governs resolution and deposit protection.
- Comprehensive Supervisory Guidelines issued by the FSA.
- Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism issued by the FSA.
- Guidelines on the Protection of Personal Information in the Financial Sector by the FSA.

Law stated - 11 2026

Regulatory authorities

Which regulatory authorities are primarily responsible for overseeing banks?

The following authorities are responsible for supervising banks in Japan:

- Financial Services Agency (FSA): Primary regulator of banks.
- Local Finance Bureaus: Delegated supervisory functions.
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Deposit Insurance Corporation of Japan (DICJ): Deposit insurance, resolution, inspections against banks under the DIA.

In addition, while the Bank of Japan (BOJ) does not have formal regulatory or supervisory authority, it conducts on-site examinations (kōsa) of financial institutions from a central banking perspective, focusing on risk management and operational soundness. These activities are carried out in close coordination with the FSA, especially during times of financial stress.

Law stated - 11 2 2026

Government deposit insurance

Describe the extent to which deposits are insured by the government. Describe the extent to which the government has taken an ownership interest in the banking sector and intends to maintain, increase or decrease that interest.

Deposits are safeguarded by the Deposit Insurance System, under which financial institutions are required to pay insurance premiums to the DICJ. Certain categories of deposits are excluded from protection, including foreign currency deposits. In addition, the scope of coverage differs depending on the type of deposit. Settlement deposits are fully insured, while interest-bearing ordinary deposits and fixed-term deposits are protected up to a maximum of 10 million yen per depositor, including interest accrued up to the date of the institution's bankruptcy. The Japanese government does not generally own banks, except in cases of emergency nationalisation where it is recognised that, unless measures are taken, there is a risk of extremely serious disruption to the maintenance of credit order in a country or region.

Law stated - 11 2 2026

Transactions between affiliates

Which legal and regulatory limitations apply to transactions between a bank and its affiliates? What constitutes an 'affiliate' for this purpose? Briefly describe the range of permissible and prohibited activities for financial institutions and whether there have been any changes to how those activities are classified.

Transactions between a bank and its affiliates are subject to legal and regulatory limitations under the Banking Act, primarily through the arm's length rule. This rule requires that transactions with affiliates be conducted on terms no less favourable to the bank than those applied in comparable transactions with non-affiliated third parties, in order to prevent preferential treatment and protect the bank's soundness.

For this purpose, 'affiliates' are broadly defined and include subsidiaries, parent companies, bank holding companies, major shareholders meeting specified voting thresholds, related corporations, and certain entities connected to individual major shareholders or bank agents, as detailed in the relevant cabinet orders.

Prohibited activities include transactions that place the bank at a disadvantage compared to ordinary market conditions, transactions that unjustifiably disadvantage the affiliate, and any arrangements intended to circumvent the arm's length rule. While no direct criminal penalties apply, violations may result in administrative actions. Limited exceptions exist where unavoidable reasons are recognised and regulatory approval is obtained.

Law stated - 11 2026

Regulatory challenges

What are the principal regulatory challenges facing the banking industry?

Based on the FSA Strategic Priorities: July 2025 – June 2026, the principal regulatory challenges facing the banking industry are becoming increasingly complex and multi-layered.

In addition to traditional financial risks such as credit and market risk, banks must strengthen their management of emerging risks, including AML/CFT and cyber security risks.

At a system-wide level, regulators face the challenge of monitoring and addressing vulnerabilities in the financial system through macro-prudential policy, particularly as economic conditions shift toward a 'positive interest rate environment' and uncertainty in global trade and financial markets increases.

Overall, the key challenge is to implement forward-looking, risk-based supervision that is tailored to each institution's size, structure, and risk profile while ensuring financial stability and sound governance.

Law stated - 11 2026

Consumer protection

Are banks subject to consumer protection rules?

Yes. Banks in Japan are subject to extensive consumer protection rules, with a primary focus on conduct regulation. Under the Banking Act, banks are required to provide customers with clear and appropriate information on deposit contracts and other relevant matters to protect depositors' interests. The Banking Act further prohibits misconduct such as making false statements, providing misleading or overly definitive explanations regarding uncertain matters, engaging in improper bundled sales, and other practices that may harm customer protection.

In addition, banks are subject to the Consumer Contract Act, which provides customers with statutory protections against unfair contract terms and practices. Separately, banks must comply with the Personal Information Protection Act with respect to the proper handling and safeguarding of customers' personal data.

Law stated - 11 2026

Future changes

In what ways do you anticipate the legal and regulatory policy changing over the next few years?

Upcoming policy shifts in Japan's banking regulation are expected to reflect evolving economic conditions, technological change, and heightened geopolitical risks. Regulators are likely to continue expanding the scope of permissible activities for bank groups, including digital and IT services, and initiatives supporting regional revitalisation, in order to support sustainable growth and innovation in the real economy.

At the same time, regulatory authorities are expected to further strengthen enforcement of AML/CFT and economic sanctions, reflecting international expectations and increasing cross-border risks. In addition, legal and regulatory frameworks governing digital payments, stablecoins, and other emerging financial services are likely to be further developed, with a focus on ensuring consumer protection, operational resilience, and overall financial system stability while accommodating technological innovation.

Law stated - 11 2026

SUPERVISION

Extent of oversight

How are banks supervised by their regulatory authorities? How often do these examinations occur and how extensive are they?

The Financial Services Agency (FSA) supervises banks through a combination of continuous off-site monitoring and periodic on-site inspections. Off-site supervision involves the review of regular regulatory reports, assessments of governance and internal controls, and analysis of banks' risk profiles, financial conditions, and business strategies. This allows the FSA to identify emerging risks and determine supervisory priorities.

On-site inspections are conducted to examine more closely a bank's operations, compliance systems, and risk management frameworks. The frequency and scope of these inspections vary depending on the size, complexity, and risk profile of each bank.

Law stated - 11 2026

Enforcement

How do the regulatory authorities enforce banking laws and regulations?

Banking laws and regulations are primarily enforced by the FSA, which is vested with broad supervisory and enforcement powers to ensure the stability and soundness of the financial system. As a first step, the FSA may issue reporting orders requiring banks to submit information or explanations regarding their operations, governance, or compliance status. The FSA also conducts regular and ad hoc on-site inspections to assess risk management, internal controls, and regulatory compliance.

Where deficiencies or violations are identified, the FSA may impose business improvement orders requiring corrective measures within a specified timeframe. In more serious cases,

the FSA may order partial or complete suspension of business operations, or ultimately revoke a banking license.

In addition to these supervisory measures, administrative penalties may be imposed. Moreover, criminal liability may arise in limited circumstances expressly provided by law, such as in cases of refusal to submit reports, obstruction of on-site inspections, or other serious statutory violations.

Law stated - 11 2 2026

Enforcement

What are the most common enforcement issues and how have they been addressed by the regulators and the banks?

The most common banking enforcement issues identified by regulators relate to deficiencies in internal controls, risk management frameworks, and compliance systems, particularly in areas such as system risk management, governance, and customer protection. Many enforcement actions have been triggered by large-scale system failures, inadequate oversight by management, or weaknesses in group-wide control structures.

Regulators have addressed these issues by conducting on-site inspections and issuing business improvement orders that require banks to strengthen internal management systems, enhance IT and operational resilience, and clarify lines of responsibility within management.

In response, banks have implemented corrective measures such as reorganising compliance functions, improving internal audit processes, investing in system infrastructure, and enhancing monitoring and reporting mechanisms.

Law stated - 11 2 2026

RESOLUTION

Government takeovers

In what circumstances may banks be taken over by the government or regulatory authorities? How frequent is this in practice? How are the interests of the various stakeholders treated?

A bank may be put under the control of the government or authorities based on either the Banking Act or the Deposit Insurance Act (DIA), typically in the following three events;

- Significant decline in capital adequacy ratio: Even if the bank has not yet gone into bankruptcy, when its capital adequacy ratio falls below a certain level (4 per cent for banks subject to national standards and 8 per cent for banks subject to international standards), the Financial Services Agency (FSA) will issue an early corrective action order to the bank, demanding the submission and implementation of business improvement plans and recapitalisation plans.
- Excessive debt and insolvency (bankruptcy): In these events, a special bankruptcy resolution regime provided under the DIA can be implemented before initiating legal

bankruptcy proceedings. Under this special regime, a failed bank will be saved through financial assistance, capital restructuring, orderly resolution using bridge banks, or temporary nationalisation (public management), etc.

- Threat of systemic risk: If the bank's failure is likely to result in the collapse of the entire financial system of Japan (ie, the bank is a systemically important bank), the bank will be put under temporary state control at the discretion of the Prime Minister.

However, as the stability of the financial system has increased over time, bank nationalisation has become extremely rare and there has been none in the last 10 years or more.

With regard to the stakeholders' interests, the depositors are given the highest priority in protection measures, such as payoffs under the deposit insurance system. Other stakeholders are protected in the order of general creditors, subordinated creditors, preferred shareholders, and shareholders.

Law stated - 11 2026

Bank failure

What is the role of the bank's management and directors in the case of a bank failure? Must banks have a resolution plan or similar document?

Before the occurrence of bankruptcy, a failing bank's management is obliged to work with regulators to develop and implement a business improvement plan pursuant to the early corrective action order issued (including business improvement orders). After bankruptcy, once a financial administrator is appointed by the court, the management loses the title to and ownership of the business and is excluded from business execution; however, their obligation to accurately disclose all information including the bank's asset status to the financial administrator remains as is.

Law stated - 11 2026

Bank failure

Are managers or directors personally liable in the case of a bank failure?

In the event of a bankruptcy, the personal liability of the management and directors may arise depending on the situation.

In principle, in case of a genuine management failure, no individual bears the corporate debts.

However, if a manager or director is found 'negligent' of the following duties, he or she may be held personally liable.

- Civil liability (damages): If a manager causes damage to his/her bank due to irresponsible management, unreasonable loans, or breach of supervisory obligations, the manager will receive a claim for damages from the bank (or financial administrator) and must pay it with his/her personal assets.

Criminal liability (penalty): If there is a criminal act by a manager, such as accounting fraud or aggravated breach of trust (eg, offering unfair benefits), he/she will be arrested, prosecuted, and subject to criminal punishment.

Law stated - 11 2026

Planning exercises

Describe any resolution planning or similar exercises that banks are required to conduct.

In Japan, the FSA's Comprehensive Guidelines for Supervision of Major Banks, etc require G-SIBs and other systemically important banks to establish a system and submit a plan (called 'recovery and resolution plan' or 'RRP') to facilitate an orderly resolution. From the perspective of building a resolution system that is feasible and does not end up as a dream, the said system and plan must comprise the following three stages: development of an evaluation system for assets, liabilities, and capital that is needed in the bankruptcy resolution process; development of a system for timely reporting of evaluation results to the authorities; and documentation and testing of crisis response procedures. Regional banks, on the other hand, implement simplified plans that focus on maintaining the critical functions.

Law stated - 11 2026

CAPITAL REQUIREMENTS

Capital adequacy

Describe the legal and regulatory capital adequacy requirements for banks. Must banks make contingent capital arrangements?

The Financial Services Agency (FSA) has formulated domestic regulations based on the Basel Regulations (BIS Regulations). Specifically, on March 31, 2024, the FSA introduced the Basel III requirements for financial institutions subject to international standards and for those that are subject to national standards and have adopted an internal model (with the exception of the ultimate designated parent). On March 31, 2025, the FSA also implemented the Basel III requirements for financial institutions and ultimate designated parent companies subject to national standards. In Japan, banks with overseas operations (such as subsidiaries and branches) are subject to uniform international standards, while other banks are subject to national standards.

Regarding the Basel III requirements in Japan, from the perspective of increasing the quality and quantity of core capital to enhance the soundness of banks, banks compliant with international standards are required to maintain not only a total capital ratio of 8 per cent or more but also a Tier 1 ratio of 6 per cent or more, along with a common equity Tier 1 ratio of 4.5 per cent or more and a capital buffer that have been phased in since 2016.

Banks subject to national standards, on the other hand, are required to have a total capital ratio (core capital/risk assets) of at least 4 per cent.

If a bank falls below the applicable minimum requirements, the FSA will issue an early corrective action order.

Law stated - 11 2026

Capital adequacy

How are the capital adequacy guidelines enforced?

The capital adequacy guidelines (or capital adequacy ratio regulation) are effectively implemented through the FSA's strict inspection and supervision of the banks and early corrective actions it demands from failing banks according to their respective capital adequacy ratios. Specifically, the FSA conducts routine monitoring and on-site inspections of banks on a daily basis to ensure their health and, in the event it detects a bank having a capital adequacy ratio that is likely to fall below the minimum standard, it will issue an early corrective action order to the bank under the Banking Act, demanding the submission and implementation of improvement plans such as recapitalisation plans. If there is no improvement, the FSA will suspend all or part of the bank's business, and eventually revoke its banking license.

Law stated - 11 2026

Undercapitalisation

What happens in the event that a bank becomes undercapitalised?

If a bank falls into a capital shortage (ie, a state in which the capital adequacy ratio is below or at high risk of falling below the regulatory minimum), the FSA exerts its supervisory authority to order the bank to take measures, such as the following step-by-step early corrective actions:

[Banks subject to national standards]

- Ratio of 2 per cent to below 4 per cent: Submission and execution of business improvement plans.
- Ratio of 1 per cent to below 2 per cent: Submission and execution of recapitalisation plans, downsizing of the operations of selected sales offices or subsidiaries, etc.
- Ratio of 0 per cent to below 1 per cent: Enhancement of equity capital, significant downsizing of the business, etc.
- Ratio below 0 per cent: Suspension of all or part of the business

Law stated - 11 2026

Insolvency

What are the legal and regulatory processes in the event that a bank becomes insolvent?

Japan's judicial system for bank failure aims to protect depositors and maintain the stability of the financial system. Hence in the event of bank failure, the legal and regulatory procedures will be carried out in accordance with the DIA and the relevant special laws, such as the Act on Emergency Measures for the Revitalization of the Financial Functions and the Act on Special Measures for the Reorganization Proceedings of Financial Institutions.

Specifically, a failed bank will be subject to the resolution by the Deposit Insurance Corporation of Japan, including asset transfer to the bridge bank, payments, compensation for loss of shareholders and creditors, and contractual bail-in for Tier 1/Tier 2/TLAC financial products.

Law stated - 11 2026

Recent and future changes

Have capital adequacy guidelines changed, or are they expected to change in the near future?

The application of the Basel III finalisation reforms in Japan has been implemented in phases according to the banks' categories, since FY2024 for banks subject to uniform international standards and FY2025 for banks subject to national standards.

The capital floors are also expected to be phased in until around 2028 in line with the international agreements. In addition, regarding crypto-asset exposure and operational risks, it is expected that domestic regulations will continue to be adjusted in light of trends in international standards.

Law stated - 11 2026

OWNERSHIP RESTRICTIONS AND IMPLICATIONS

Controlling interest

Describe the legal and regulatory limitations regarding the types of entities and individuals that may own a controlling interest in a bank (or non-bank). What constitutes 'control' for this purpose?

The Banking Act of Japan does not impose a blanket prohibition on particular categories of persons owning a controlling stake in a licensed bank. Instead, it regulates who may become (1) a 'bank's 'major shareholder' and (2) a 'bank holding company' through prior authorisation and ongoing supervision.

1. Bank's major shareholder. Prior approval is required where it intends to acquire 20 per cent (or 15 per cent in certain cases) or more of a bank's total voting rights; approved holders are treated as 'bank's major shareholders' and are subject to Financial Services Agency (FSA) supervision, although they are not subject to certain group-wide prudential rules applicable to holding-company groups. (Separately, exceeding 5 per cent triggers a filing obligation.)
2. Bank holding company. By contrast, a company requires authorisation to be treated as a 'bank holding company' only if it qualifies as a 'holding company' under the

Banking Act (broadly, where more than 50 per cent of its relevant asset base consists of the value/acquisition cost of shares etc. in domestic subsidiaries) and it has a bank subsidiary. A bank holding company is then subject to business-scope restrictions and consolidated (group-wide) financial soundness regulation.

Non-banks. Change-in-control implications depend on the sector: for example, insurance uses an 'insurance holding company' authorisation concept, whereas many other non-bank regimes (eg, funds transfer providers; money lenders) are primarily registration-based with ongoing change-notification duties rather than a bank-style major-shareholder regime.

Law stated - 11 2026

Foreign ownership

Are there any restrictions on foreign ownership of banks (or non-banks)?

There is no general foreign ownership cap for Japanese banks: the Banking Act's substantive regimes for shareholders (including the bank's major-shareholder and bank holding company frameworks) apply in principle equally to domestic and foreign investors.

On the other hand, foreign investors must also consider Japan's foreign investment screening under the Foreign Exchange and Foreign Trade Act (FEFTA). FEFTA is, in principle, an ex-post reporting regime, and prior notification (with a waiting period) is required only in limited cases—most importantly where the target conducts any 'Designated Business Sectors' (including core sectors) identified from a national security/public order perspective.

As to thresholds, the post-/pre-notification analysis is applied to 'inward direct investment' events which, broadly, include the acquisition of 1 per cent or more of shares/voting rights in a listed Japanese company, and the acquisition of any shares in an unlisted Japanese company.

Accordingly, an acquisition of shares in a bank or non-bank financial services firm will often be dealt with by an after-the-fact report, unless the target's business activities bring it within the designated (or core) sectors, in which case prior notification may be required.

For non-banks, there is likewise generally no nationality-based ownership cap as such; instead, foreign participants are typically accommodated through the relevant licensing/registration framework, alongside any applicable FEFTA screening.

Law stated - 11 2026

Implications and responsibilities

What are the legal and regulatory implications for entities that control banks?

If an entity 'controls' a Japanese bank, the key legal and regulatory implications depend on which Banking Act control status it falls into: (1) a bank's major shareholder or (2) a bank holding company.

1. Bank holding company. A controller is regulated as a **bank holding company** only if it is a 'holding company' under the Banking Act's asset-based definition (broadly, where the value/acquisition cost of shares etc. in domestic subsidiaries exceeds 50 per cent of its relevant asset base), has a bank subsidiary, and is authorised under Article 52-17. The consequence is consolidated supervision: business-scope restrictions and group-wide financial soundness requirements apply at the holding-company group level.
2. Bank's major shareholder. Even if the controller is **not** a statutory 'holding company', acquiring 20 per cent (or 15 per cent in certain cases) or more of voting rights triggers the major-shareholder authorisation/supervision regime. Practical implications include enhanced supervisory scrutiny and (importantly) constraints on intra-group dealings: eg, a bank's large-exposure limits apply more tightly where the counterparty is a major shareholder.
3. Back-stop powers. For bank's major shareholders, Article 52-15(1) allows the Prime Minister to order 'measures ... necessary for supervision' or revoke the authorisation if the bank's major shareholder violates laws/regulatory dispositions or commits an act harming the public interest. If the authorisation is revoked, Article 52-15(2) requires the shareholder to take measures to fall below the major shareholder threshold within the period designated. For bank holding companies, parallel powers exist under Article 52-34(1)–(2), including revocation and an obligation to cease being a holding company with a bank subsidiary.

Law stated - 11 2026

Implications and responsibilities

What are the legal and regulatory duties and responsibilities of an entity or individual that controls a bank?

For Japan, the 'duties and responsibilities' of a controller are primarily regulatory and depend on whether the person controls a bank as (1) a bank's major shareholder or (2) a bank holding company.

1. Major shareholder. Ongoing obligations are mainly to remain 'fit and proper' and to cooperate with supervision: the Prime Minister may require the major shareholder to submit reports/materials (Banking Act, Art. 52-11) and may conduct on-site inspections at the shareholder's premises (Art. 52-12). If the shareholder ceases to meet the authorisation criteria, the Prime Minister may order remedial measures within a deadline (Art. 52-13). Where the holding exceeds 50 per cent of voting rights, the Prime Minister may require submission (or amendment) of an improvement plan and/or issue supervisory orders and may also order the bank itself to take necessary measures (Art. 52-14).
2. Bank holding company. In addition to consolidated supervision, it is restricted in scope of business and must endeavour to ensure the sound and appropriate management of its subsidiary bank (Art. 52-21). It can also be required to submit an improvement plan (Art. 52-33). In practice, the FSA's Comprehensive Guidelines for Supervision of Major Banks, etc. inform supervisory expectations on group governance and

internal controls (including AML/CFT and counter-financial-crime measures), which a controlling group is expected to embed and oversee.

Law stated - 11 2026

Implications and responsibilities

What are the implications for a controlling entity or individual in the event that a bank becomes insolvent?

As a matter of principle, equity holders (including controlling shareholders) absorb losses first in a bank failure scenario, and Japan has multiple resolution tools (eg, payoff, financial assistance/transfer-type measures and, in systemic cases, public support).

Importantly, the implications for a controller are not limited to loss of value at the end-point: under the FSA's Comprehensive Guidelines for Supervision of Major Banks, etc., a major shareholder holding more than 50 per cent is treated as having sole control and is therefore expected—much like a bank holding company—to be called upon to provide support if the bank's management deteriorates (eg, capital/financial support to restore soundness).

In addition, Japan introduced a group-based 'orderly resolution' framework through the 2013 amendments to the Deposit Insurance Act (effective 6 March 2014). Under this regime (Deposit Insurance Act Article 126-2), the scope was expanded beyond deposit-taking institutions to include financial institutions and their holding companies, so that a bank holding company (as the bank's shareholder) may itself become the subject of resolution measures (including special supervision and measures to facilitate an orderly restructuring/transfer).

Law stated - 11 2026

M&A AND CHANGES IN CONTROL

Required approvals

Describe the regulatory approvals needed to acquire control of a bank (or non-bank). How is 'control' defined for this purpose? Do the requirements differ depending on the size or complexity of the institution?

1. 5 per cent+ post-acquisition filing (banks / bank holding companies): a person that becomes a 'major holder of voting rights' (ie, exceeds 5 per cent) in a bank or a bank holding company must file a statement within five days (excluding specified non-business days), and later changes are reportable.
2. Bank's major shareholder authorisation: prior authorisation is required to acquire voting rights at or above the major shareholder threshold (generally 20 per cent, or 15 per cent in certain cases). The Prime Minister examines whether, in light of funding sources, purpose of the holding and other circumstances, the bank's sound and appropriate management is unlikely to be impaired, together with suitability-related factors set out in Article 52-10.

3. Bank holding company authorisation: prior authorisation is required only where the acquirer is a 'holding company' under the Banking Act's asset-based definition and it will have a bank as a subsidiary. The authorisation criteria (Article 52-18) include: (1) good income/expenditure prospects for the group, (2) appropriate equity capital relative to assets, and (3) adequate knowledge/experience and social credibility to manage/oversee the bank properly.

'Control' is therefore (a) threshold-based for major shareholders (15 per cent/20 per cent+ voting rights) and (b) definition/structure-based for bank holding companies (being a statutory 'holding company' + bank subsidiary + authorisation). The thresholds do not change by institution size, but in practice larger/complex groups usually face more extensive pre-filing dialogue and supporting materials because the authority must assess those Article 52-10 / 52-18 criteria.

Non-banks: the change-in-control approvals are sector-specific; for example, insurers have parallel 5 per cent reporting and 20 per cent/15 per cent major-shareholder prior approval regimes under the Insurance Business Act. On the other hand, many other non-bank regimes (eg, funds transfer providers; money lenders) are primarily registration-based with ongoing change-notification duties rather than a bank-style major-shareholder regime. For a funds transfer service provider, while there is no bank-style prior authorisation regime for major shareholders, the application must include its 'major shareholders' (shareholders holding 10 per cent or more of voting rights), and a change in major shareholders triggers a change notification accompanied by a shareholder list.

Law stated - 11 2026

Foreign acquirers

Are the regulatory authorities receptive to foreign acquirers? How is the regulatory process different for a foreign acquirer?

Formally, Japanese regulators do not apply different *substantive* Banking Act standards to domestic versus foreign acquirers: the same prior-authorisation regimes apply for a bank's major shareholder (generally 20 per cent or, in certain cases, 15 per cent+) and for a bank holding company (only where the acquirer is a statutory 'holding company' and will have a bank subsidiary).

In practice, the Financial Services Agency's (FSA) focus is on whether the acquisition could undermine the bank's sound and appropriate management, assessed by reference to (among other matters) funding sources, purpose of the holding, the financial position of the shareholder group and the shareholder's understanding of the public nature of banking / social credibility; and, for bank holding company authorisation, the group's income/expenditure prospects, capital adequacy, and knowledge/experience and social credibility to oversee the bank.

In foreign-led deals, this often translates into more extensive documentation on ultimate beneficial ownership and group structure, governance and internal controls (including AML/CFT and financial-crime controls), and the controller's capacity and willingness to support the bank.

Separately, foreign acquirers must manage FEFTA procedures: as reflected in practice materials, this is often post-transaction reporting, but prior notification (with a statutory standstill period—typically 30 days, often shortened in practice) may apply where the target's activities fall within designated sectors.

Law stated - 11 2026

Foreign acquirers

Under what circumstances can a foreign bank (or non-bank) establish an office and engage in business? For example, can it establish a branch or must it form or acquire a locally chartered bank?

A foreign bank wishing to conduct 'banking business' in Japan will generally need either (1) to establish a Japan branch and obtain a licence as a foreign bank branch, or (2) to form/acquire a locally licensed Japanese bank (which must be a Kabushiki Kaisha).

For non-banks, entry is activity-based and usually via registration rather than a bank licence. For example, a funds transfer service provider must be registered under the Payment Services Act. A foreign provider can register only if it is a foreign company with a business office in Japan and a Japan-domiciled representative, and other requirements for the registration are satisfied. A money lender must be registered under the Money Lending Business Act.

Law stated - 11 2026

Factors considered by authorities

What factors are considered by the relevant regulatory authorities in an acquisition of control of a bank (or non-bank)?

In Japan, the 'control' analysis (and therefore the factors assessed) differs depending on which control gateway is triggered.

Banks

Bank's major shareholder

When assessing an application to become a bank's major shareholder, the FSA focuses on whether the proposed holding would undermine the bank's sound and appropriate operation, having regard to (i) the source of funds and purpose of the holding and other circumstances and (ii) the financial position and income/expenditure of the shareholder group.

The FSA also examines whether the shareholder has a sufficient understanding of the public nature of banking and adequate social credibility.

Bank holding company

For a bank holding company, the FSA assesses (i) the group's income/expenditure outlook, (ii) capital adequacy relative to group assets, and (iii) whether the holding company has the knowledge/experience and personnel structure to manage/oversee the bank properly, plus social credibility.

In practice, the above statutory tests are evidenced through submissions on group structure, governance and internal controls; FSA supervisory guidelines expressly address governance and internal controls (including AML/CFT), and these materials are typically scrutinised in change-of-control contexts.

Non-banks

Because 'non-bank' regimes are activity-based, the factors in an acquisition of control of a non-bank vary:

- Funds transfer service providers (Payment Services Act). In an acquisition context, the regulator's focus is typically on whether the transaction triggers a statutory change procedure and whether the provider can continue to operate in compliance. In particular, the regime requires disclosure of 'major shareholders' (10 per cent+ of total voting rights) as a prescribed item, and therefore a change in those major shareholders is treated as a relevant change to be reflected through the applicable change filing; where there is a change in major shareholders, the provider is required to submit the change notice together with supporting documents such as a shareholder list.
- Money lenders (Money Lending Business Act). By contrast, there is no standalone 'major shareholder' change notification concept in the Act. Instead, the key M&A-facing hooks are changes to registered matters, notably the lender's 'officers'—a term that is defined broadly to include persons who, regardless of title, are found to have control equivalent to directors/executive officers (and can capture certain controlling persons). Any relevant change must be notified within two weeks.
- Insurance companies. They have a conceptually similar major shareholder regime (20 per cent / 15 per cent+) under the Insurance Business Act, so suitability-type factors are assessed through that statutory framework.

Law stated - 11 2026

Filing requirements

Describe the required filings for an acquisition of control of a bank. Do the requirements differ depending on the size or complexity of the institution?

Key filings for banks include:

- Large holding notification: holders exceeding 5 per cent of voting rights must notify within five business days, and further reports are required upon certain changes.
- Prior authorisation applications: (1) major shareholder (15 per cent/20 per cent+) and/or (2) bank holding company authorisation, supported by extensive documentation evidencing the approval criteria (funding source, purpose, financials, governance, credibility, etc.).

While the Banking Act thresholds do not vary by size, larger/more complex transactions typically require more extensive supporting materials to address group-wide risks.

Law stated - 11 2026

Time frame for approval

What is the typical time frame for regulatory approval for both a domestic and a foreign acquirer?

In practice, a Japanese bank change-of-control process is typically (1) informal pre-filing consultation with the JFSA, followed by (2) formal submission and statutory processing. For the formal step, Article 40(1) of the Regulation for Enforcement of the Banking Act provides a standard processing period of one month from the date the application reaches the authority.

The informal consultation period is not prescribed by statute and is the primary cause of timetable variance. Depending on the specific circumstances and the applicant's level of preparedness, it can take several months. This is particularly true for bank holding company authorisations, which may require group-wide governance and funding reviews or involve complex ownership structures. The process can take a longer period as a result.

For foreign acquirers, the Banking Act timetable is not formally different, but deal timetables can be longer due to information-gathering across jurisdictions and (where applicable) FEFTA procedures; when prior notification is required, the statutory review period is 30 calendar days, though it is often shortened in practice.

Law stated - 11 2026

Regulatory trends

Are there any notable recent regulatory trends or developments affecting M&A and changes in control in the banking sector?

Recent 'change in control' practice in Japan has been shaped less by changes to the Banking Act thresholds and more by (1) competition-law facilitation for regional bank consolidation and (2) intensified AML/CFT-driven supervisory scrutiny.

First, the Antimonopoly Act special-provisions regime (effective 27 November 2020) can, in substance, lower execution risk for certain regional bank integrations: where a regional bank (and/or its parent) obtains the competent minister's authorisation for an approved 'basic service maintenance' plan (eg, mergers or other integration measures aimed at maintaining essential local services), the relevant conduct may benefit from an exclusion from the Antimonopoly Act, with the authority required to consult the Japan Fair Trade Commission (JFTC) in the authorisation process. Recent approvals (and ongoing monitoring) illustrate that this framework is being used in practice for regional bank combinations.

Secondly, following the Financial Action Task Force (FATF) scrutiny and the FSA's hard deadline for AML/CFT 'framework build', acquirers—especially those seeking major-shareholder/holding-company approvals—should expect deeper review of group

governance, transparency, and AML/CFT controls as part of suitability and supervisory dialogue.

Law stated - 11 2026

UPDATE AND TRENDS

Key developments of the past year

Are there any emerging trends or hot topics in banking regulation in your jurisdiction?

Emerging 'hot topics' in Japanese banking regulation currently include:

- AML/CFT – 'validation of effectiveness' as a supervisory focus. Beyond having policies and controls on paper, the JFSA has been emphasising whether banks can **demonstrate** (and continuously improve) the effectiveness of their AML/CFT frameworks, including through structured self-assessment/testing and constructive supervisory dialogue. This is reinforced by the sharp increase in financial fraud and scam losses in Japan (including 'special fraud' and impersonation scams), which is driving stronger regulatory expectations for end-to-end financial crime prevention capabilities (transaction monitoring, scam typologies, customer protection measures and rapid response).
- Expansion of permissible business scope for banks and banking groups (2021 Banking Act amendments). The 2021 amendments substantially widened the scope for banks/bank groups to pursue non-traditional businesses through vehicles such as 'Advanced Banking Business Companies'. The scope is intentionally broad (eg, activities expected to contribute to banking sophistication/customer convenience and, post-amendment, broader regional/social value), but supervisory guidance emphasises controlling 'non-banking' risks, avoiding conflicts of interest and preventing abuse of dominance, with reporting expectations when business content materially changes.
- Cryptoassets / digital-asset perimeter for banks and banking groups (direction of travel: relaxation with safeguards). Recent policy debate and reporting indicate movement towards (i) permitting banks to buy/hold cryptoassets subject to robust risk management, and (ii) allowing banking-group subsidiaries to provide crypto trading/exchange services—while keeping the bank entity itself more constrained.

Law stated - 11 2026