

is formulating recovery and resolution plans for globally systemically important financial institutions and other systemically important nonbanks, in line with the schedule agreed at the Financial Stability Board (FSB).

- **Reducing excessive credit support on SMEs.** As the SME Financing Facilitation Act ended in March 2013 as scheduled, FSA continues to encourage financial institutions to make efforts to ensure provisions of funds to SMEs. The usage of credit guarantees has been gradually reduced from the peak of 36 trillion yen in FY2009 to 32 trillion yen in FY2012. Policy initiatives to further reduce the reliance of SMEs on credit supports remain necessary.
- **Deepening cross-border risk monitoring arrangements with foreign supervisory authorities.** The FSA and BoJ have signed the Multilateral Framework for sharing the information of globally systemically important banks collected thorough the FSB Data Gaps initiative in early 2013, following discussion at the FSB. As the new macroeconomic policy will likely encourage further overseas expansion by internationally active banks, cross-border risk monitoring arrangements, such as the Data Gaps initiative can help monitoring of risks from activities abroad, including foreign exchange funding risks.
- **Staff recommended further efforts to build on these achievements.** In particular, staff recommended strengthening capital standards of domestically active banks beyond current plans, including by reassessing the treatment of unrealized losses in capital, continued close monitoring of rising foreign-exchange funding risks from overseas activities of internationally active banks, passage of legislation on tightening large exposure limits and establishing an orderly resolution regime for financial institutions, and phasing out the full credit guarantees to SMEs to restore credit discipline. Staff also supported the authorities' consideration to introduce economic value-based solvency regimes to enhance the required solvency margins for insurers.



JAPAN

STAFF REPORT FOR THE 2013 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

July 12, 2013

Prepared By

Asia and Pacific Department (In consultation with other
departments)

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FUND RELATIONS

(As of June 30, 2013)

Membership Status: Joined August 13, 1952; Article VIII

General Resources Account:

	SDR Million	% Quota
Quota	15,628.50	100.00
Fund holdings of currency	15,100.35	96.62
Reserve Tranche Position	528.51	3.38
Lending to the Fund		
New Arrangements to Borrow	8,458.28	

SDR Department:

	SDR Million	%Allocation
Net cumulative allocation	12,284.97	100.00
Holdings	12,958.00	105.48

Outstanding Purchases and Loans: None

Latest Financial Arrangements: None

Projected Obligations to Fund:¹

(SDR Million; Based on Existing Use of Resources and Present Holdings of SDRs):

	Forthcoming				
	2013	2014	2015	2016	2017
Principal					
Charges/Interest		0.07	0.07	0.07	0.07
Total		0.07	0.07	0.07	0.07

Exchange Rate Arrangement:

Japan maintains a free floating exchange rate regime. Since the 2012 Article IV consultation, Japan has not had foreign exchange intervention. The ministry of finance publishes foreign exchange intervention information on its website. The exchange system is free of restrictions on the making of payments and transfers for current international transactions, with the exceptions of restrictions imposed solely for the preservation of national or international security that have been notified to the Fund pursuant to Executive Board Decision No. 144–(52/51).

¹ When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Framework:

Japan underwent an assessment of its AML/CFT framework against the AML/CFT standard by the Financial Action Task Force (FATF) and the Asia/Pacific Group (APG) in 2008. Significant deficiencies were identified, notably with respect to customer due diligence (CDD) requirements, transparency of legal entities, the criminalization of terrorist financing and the freezing of terrorist assets. Since then, Japan has taken important steps to remedy some of the shortcomings identified. According to Japan's May 2013 follow-up report to the FATF (page 3), further action is nevertheless required, notably with a view to strengthening CDD rules and enabling appropriate freezing of terrorist assets. In addition, further improvements seem necessary to increase the transparency (and thus limit the misuse) of legal entities. No dates have been set for Japan's next mutual evaluation.

Article IV Consultation:

The 2012 Article IV consultation discussions were held during May 30–June 12, 2012; the Executive Board discussed the Staff Report (IMF Country Report No. 12/208 and concluded the consultation on July 10, 2012. The concluding statement, staff report, staff supplement, selected issues paper, and PIN were all published.

STATISTICAL ISSUES

Economic and financial data provided to the Fund are considered adequate for surveillance purposes. Japan subscribes to the Special Data Dissemination Standard (SDDS) and meets the SDDS specifications for the coverage, periodicity, and timeliness of data. The Japanese authorities hosted a data module mission for a Report on the Observance of Standards and Codes (data ROSC) in September 12–28, 2005. The Report on Observance of Standards and Codes - Data Module, Response by the Authorities, and Detailed Assessments Using the Data Quality Assessment Framework (DQAF) were published March 17, 2006 and are available at <http://www.imf.org/external/pubs/ft/scr/2006/cr06115.pdf>.