

Early Intervention and Crisis Preparation

Coordination Challenges Among Financial Safety Net Members

IADI-APRC International Conference
19 July 2017

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Viewpoints

- 1 Intervention, Preparation
 ①Prevention, ②Mitigation, ③Resilience
- 2 Prevention
- 3 Mitigation
- 4 Resilience
- 5 Preparedness
- 6 Collaboration
- 7 In Normal Times and Emergency

1 Intervention, Preparation

① “Prevention” means

“Reducing **likelihood** of the event” in 2008 report.

② “Mitigation” means

“Reducing **severity** of the event” in 2008 report.

③ “Resilience” means

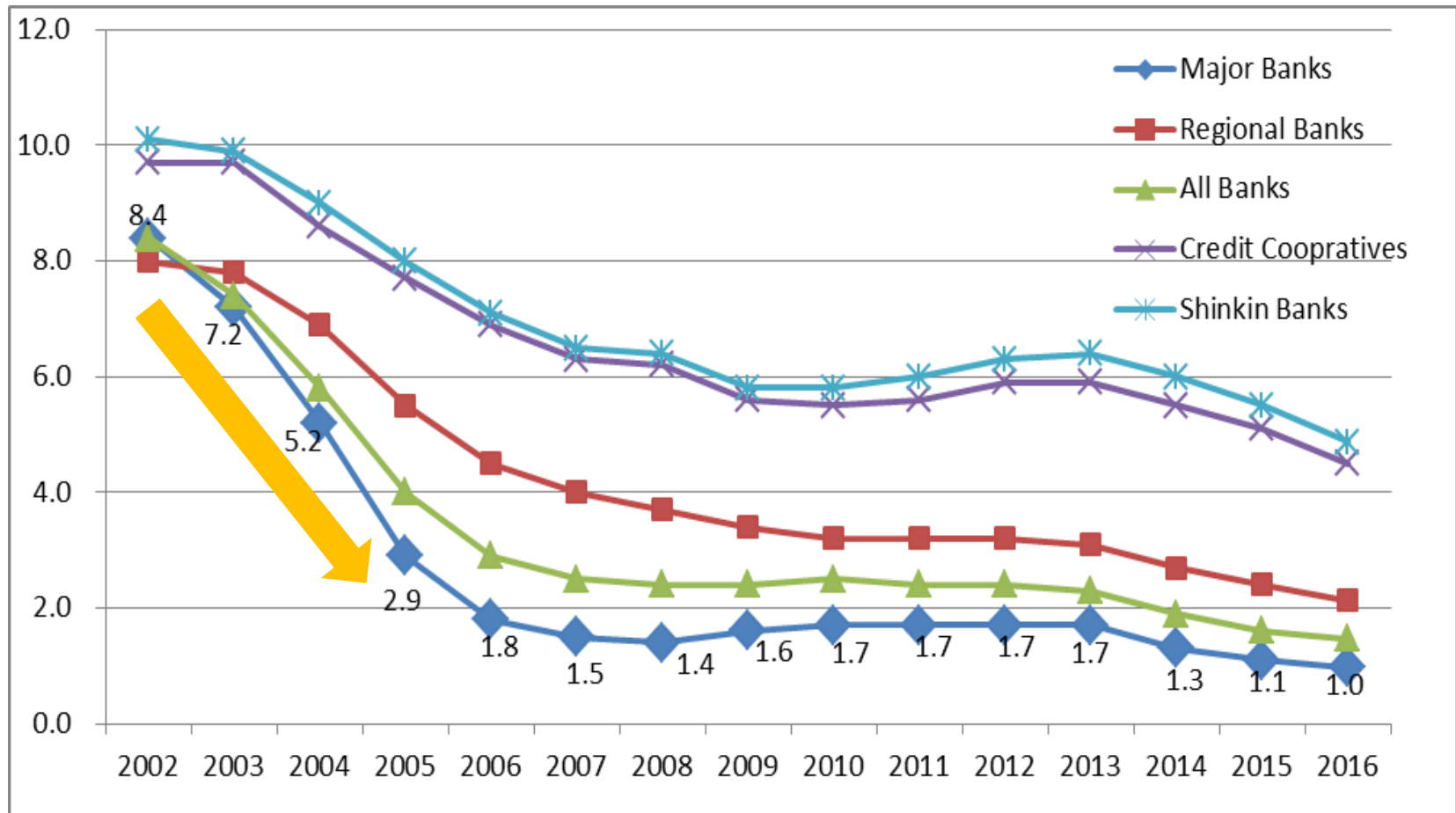
“Maintaining system **function**” in 2013 report.

(Source : The World Economic Forum, Global Risk Report 2008 & 2013)

2 Prevention

- (1) Inspection and Supervision
- (2) Market Infrastructures
- (3) Prompt Corrective Action System and Early Warning System

Trends in the ratio of Non-Performing Loans (%)



(Source: DICJ)

3 Mitigation

DICJ's Role

- ① All the deposit-taking institutions are obliged to prepare documents for insurable contingency cases by the Deposit Insurance Act. Accordingly they are expected to plan for the smooth reimbursement of insured deposits etc. and to prepare manuals for that in line with a guidance made by the DICJ.
- ② The DICJ is tasked with some part of the FSA's inspections concerning to the Deposit Insurance Systems, including the inspection of the procedures and manuals for possible insurable contingency cases.
- ③ The DICJ participates in the Crisis Management Group for the G-SIBs.

4 Resilience

Three Types of Risks

- ① **Preventable Risks**, such as breakdowns in processes and human errors.
- ② **Strategic Risks**, which are undertaken voluntarily after weighing them against the potential rewards.
- ③ **External Risks**, which are beyond one's capacity to influence or control.

(Source : The World Economic Forum, Global Risk Report 2013)

5 Preparedness

- ① Normality and crisis coexist over the long term perspective.
The DICJ requires the deposit taking financial institutions to prepare for a resolution in normal times and conducts inspections.
- ② In an emergency, unexpected events invariably occur and the information available in the initial phase is extremely limited.
We need to find facts and gather information as much as possible.
Also we need to choose and execute policies in a limited time frame.
Such decisions should be based on the past experiences, trainings and insights cultivated in normal times.
- ③ In order to collect information, not only the formal information collection structure but also human networks are very important.
Such relationships need to be cultivated in normal times.

6 Collaboration

- ① Shared sense of duty in national crises among relevant participants.
- ② Sharing experience in actual implementation
- ③ Effective information exchange among relevant participants
- ④ Systems which broadly support them.

7 In Normal Times and Emergency

Emergency Times

We have to head toward the headwinds
in order to conquer them

Normal Times

We have to cultivate our insight for the future

Closing

We can achieve efficient early intervention and effective crisis preparation

Integration

- Learn from the history,
- Drill,
- Cultivate insight



Pass them on to the future generations!