Financial Consumer Protection International Seminar

The Financial ADR System in Japan

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** Views expressed in this presentation are those of the speaker, and are not necessarily identical to those of the FSA or any other institution.*

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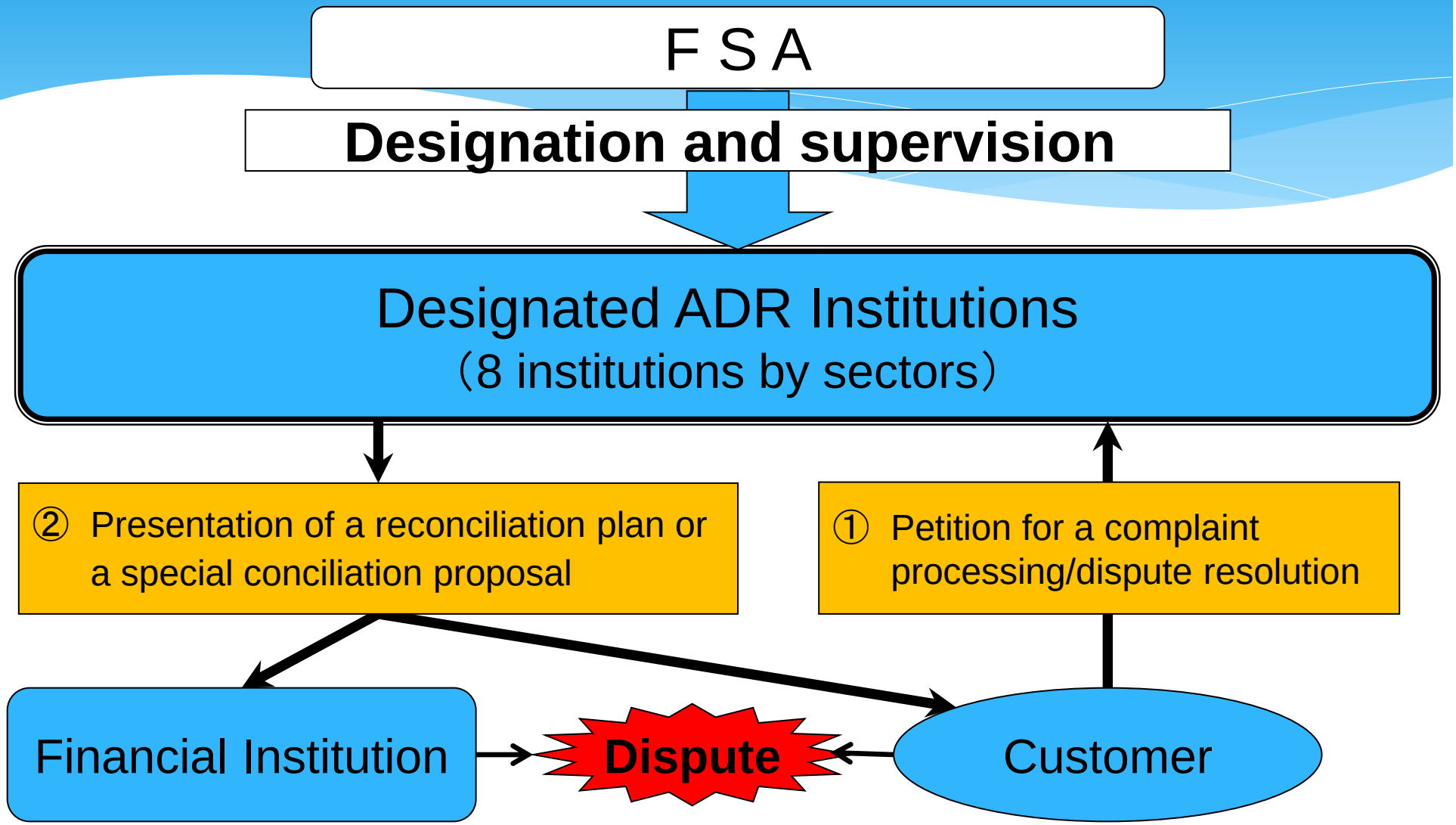
1. Overview of the Mechanism



2. History of the Financial ADR System

June 2009	・Financial ADR Law was passed by the Diet.
April 2010	・Financial ADR Law was put into force. ・FSA published the Guidelines for Designated ADR Institutions.
October 2010	・Designated ADR Institutions began operation.
August 2013	・FSA published the Comprehensive Guidelines for Supervision of Designated ADR Institutions.

3. Purpose of the Financial ADR System

Institutionalized mechanism of Dispute Resolution Function
Designated ADR institution ⇒ Core of the system

ROUTE

- FSA designates and supervises the designated ADR institution.
  - ⇒ To ensure NEUTRALITY and FAIRNESS.
- When users file a petition for dispute resolution, the designated ADR institution demands that financial institutions use dispute resolution procedures or respect the reconciliation plans.
  - ⇒ To ensure the EFFECTIVENESS of dispute resolution.
- Each member of the dispute resolution committee has knowledge of the financial sector.
  - ⇒ To ensure EXPERTISE in financial products and services.

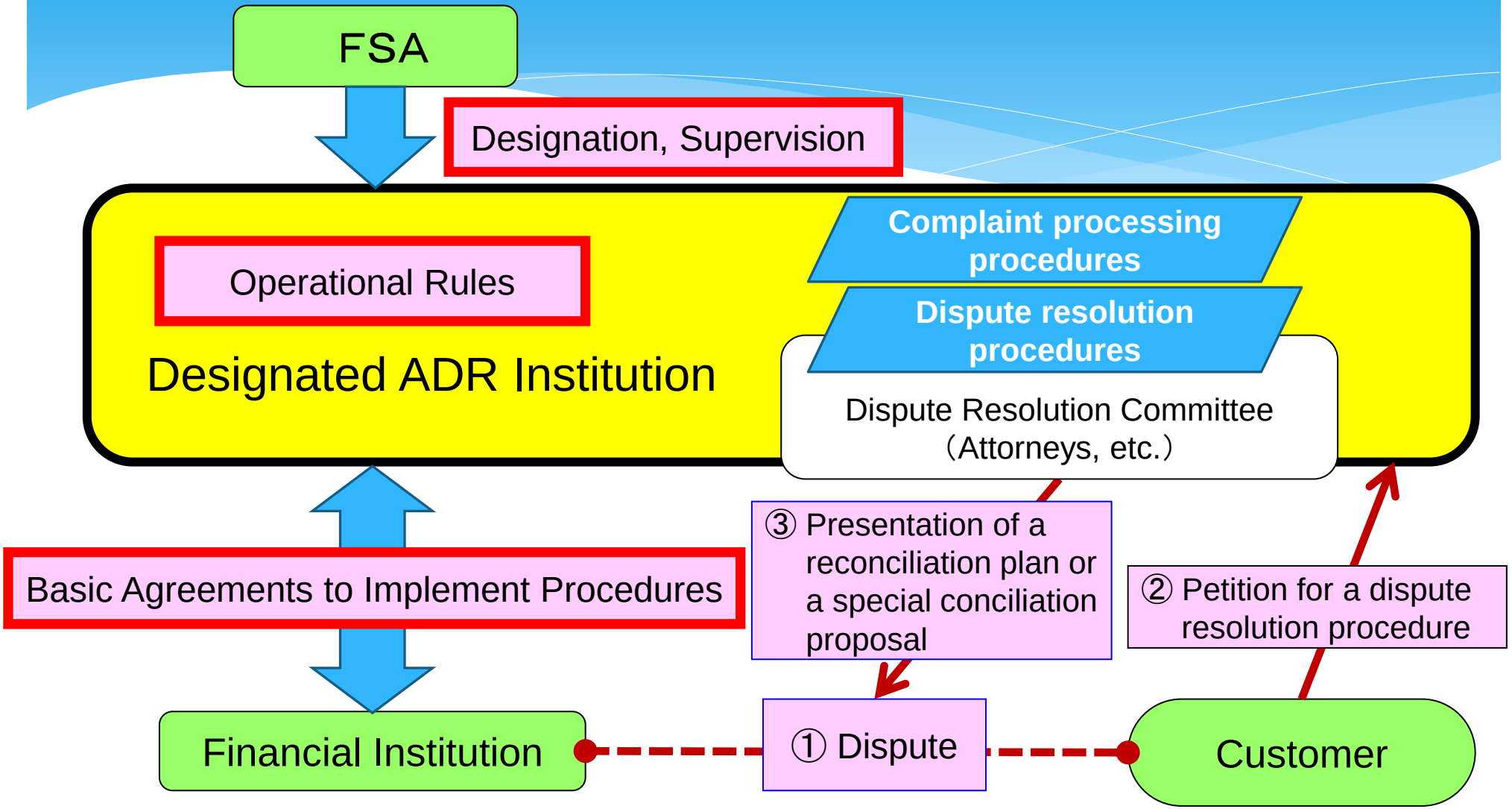
GOAL

- Fast, Simple, Flexible ..... Solution
- Troubleshooting with a Convincing Sense of a user
- Improved Reliability for customers

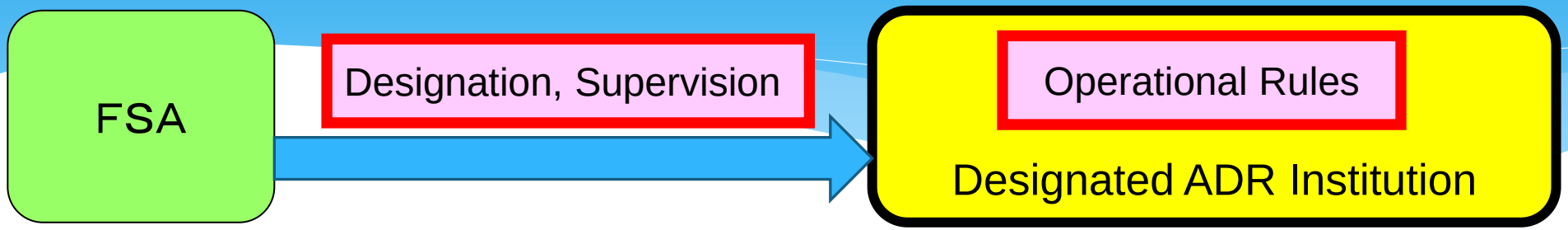
4. Designated ADR Institutions
(Designated Dispute Resolution Institutions)

Name	Target
Financial Instruments Mediation Assistance Center（FINMAC）	Type I financial instruments (stocks, bonds, derivatives, and so on) business
Japanese Bankers Association	Banking, etc.
Trust Companies Association of Japan	Trust business, etc.
The Life Insurance Association of Japan	Life insurance business, etc.
The General Insurance Association of Japan	Non-Life insurance business, etc.
The Insurance Ombudsman	Foreign non-life insurance business, etc.
The Small Amount & Short Term Insurance Association of Japan	Small amount and short term insurance business
Japan Financial Services Association	Money lending business

5. Operation/Function of Designated ADR Institution



Designation and Supervision by the FSA

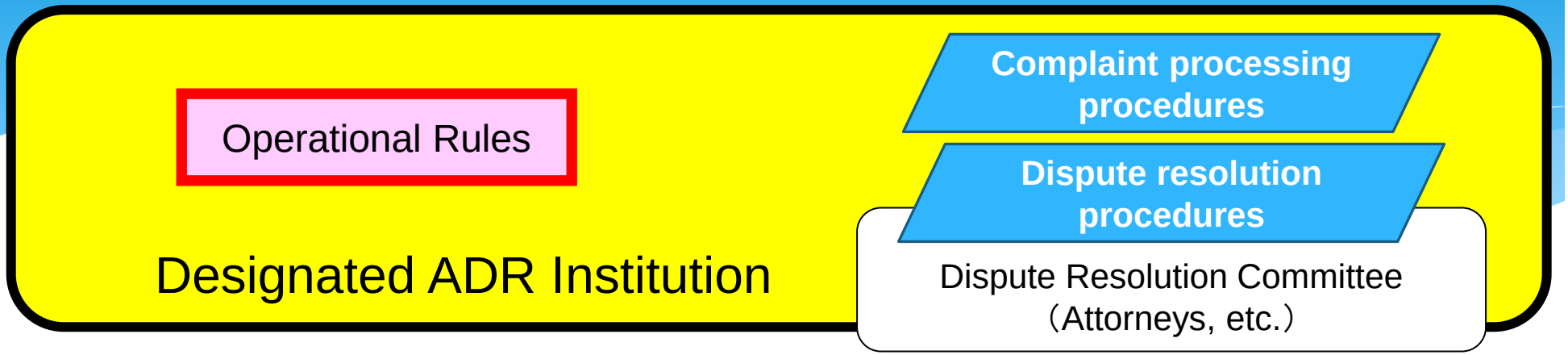


○ The designation by the FSA
- Designation of the institution that conducts dispute resolution
- Review of the operational rules

○ The Supervision by the FSA
- Notification of Changes, etc.
- Submission of a business report
- Collection of reports from, and on-site inspections of, the Designated ADR Institution
- The business improvement order to the Designated ADR Institution

⇒ Establishing "Comprehensive Guidelines for Supervision of Designated Dispute Resolution Institutions"

Conform to Standards of Operational Rules



○ Mandatory items in the Operational Rules

- Rules for appointing members of the dispute resolution committee
- Steps of a dispute resolution procedure
- Necessary conditions and methods for petition of a dispute resolution procedure
- Method of notice to the other party of the petition
- Confidentiality
- Calculation method of user charges, not being grossly inappropriate

Establishing "Comprehensive Guidelines for Supervision of Designated ADR Institutions"

○ FSA's Supervision is based on the "Comprehensive Guidelines for Supervision of Designated ADR Institutions".

○ Major Supervisory Evaluation Points

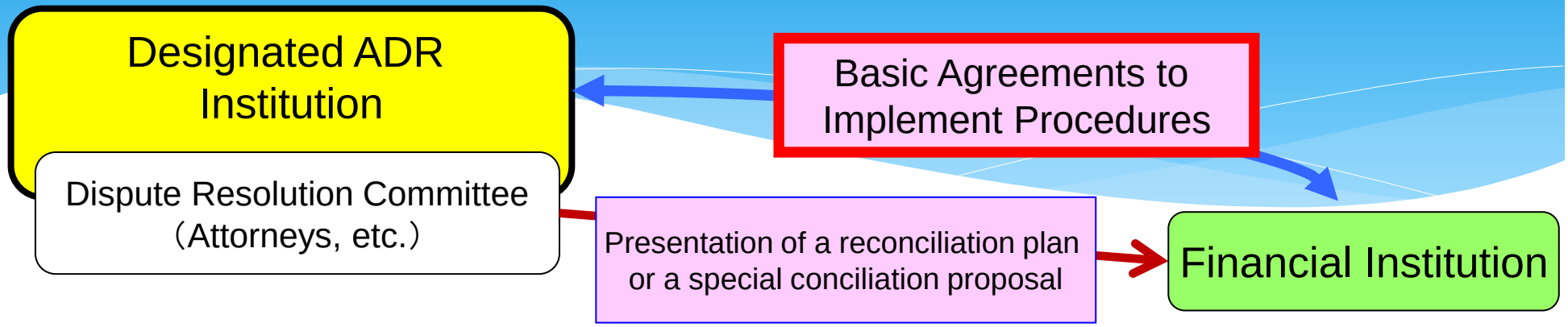
1. Operational Control Systems
   - Control environment for business execution
   - Control environment for managing staff
   - Method of appointment (members of the dispute resolution committee)
2. Appropriateness of Business Operations
   - Points of attention in a complaint processing procedure
   - Points of attention in a dispute resolution procedure
3. Publication, Verification and Evaluation
   - Publication (outline of disputes, results, etc.)
   - Verification and evaluation (Operational Control Systems, etc.)
4. Feedback of breakdown (complaints and disputes)
5. Cooperation with related organizations

6. Conduct Regulations for Financial Institutions

○ For a business sector where an ADR institution is designated

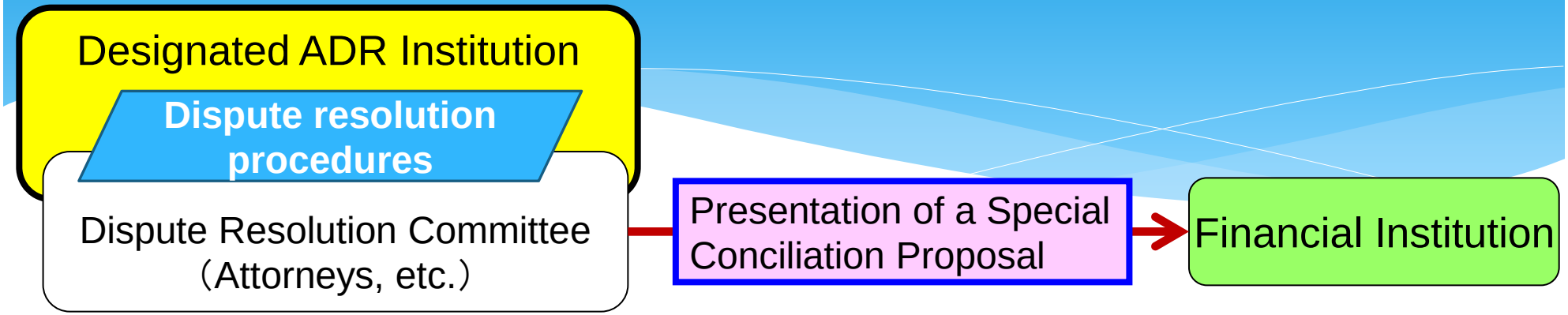
⇒ Financial institutions are obligated to conclude basic agreements to implement procedures with the Designated ADR Institution.

Basic Agreements to Implement Procedures



- Financial institutions must accept a procedure.
  ⇒ Obligation to accept the procedure
- Financial institutions must bring forward evidence.
- Dispute resolution committee presents a reconciliation plan to the party concerned.
  ⇒ Obligation to bring forward evidence
- Dispute resolution committee can present a special conciliation proposal to the party concerned.
  ⇒ In principle, financial institutions have a legal obligation to accept it.
- Financial institutions must give customers notice of the designated ADR institution.

Special Conciliation Proposal



○ Special Conciliation Proposal

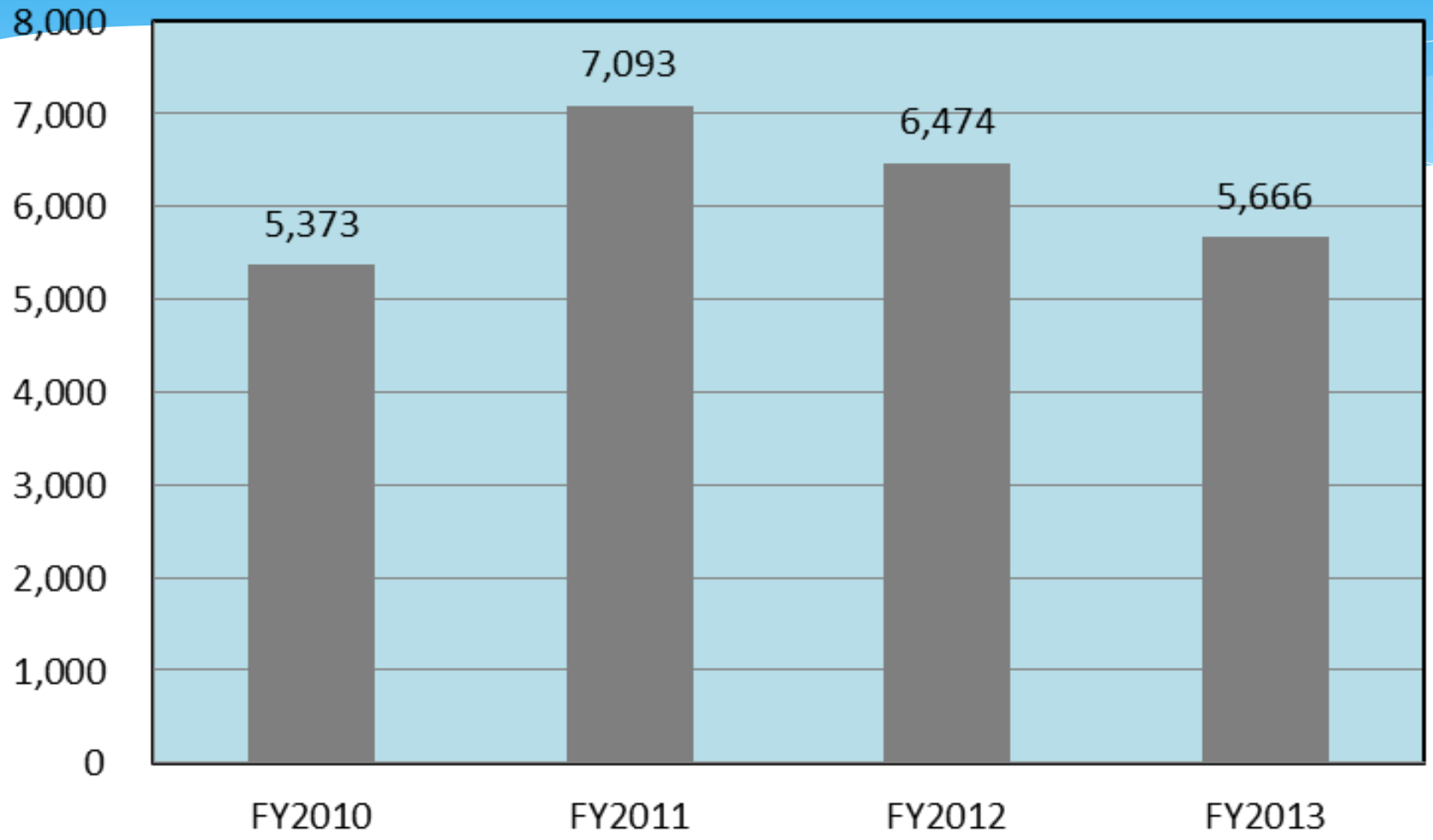
⇒ In principle, financial institutions have a legal obligation to accept it.

【Exceptions】

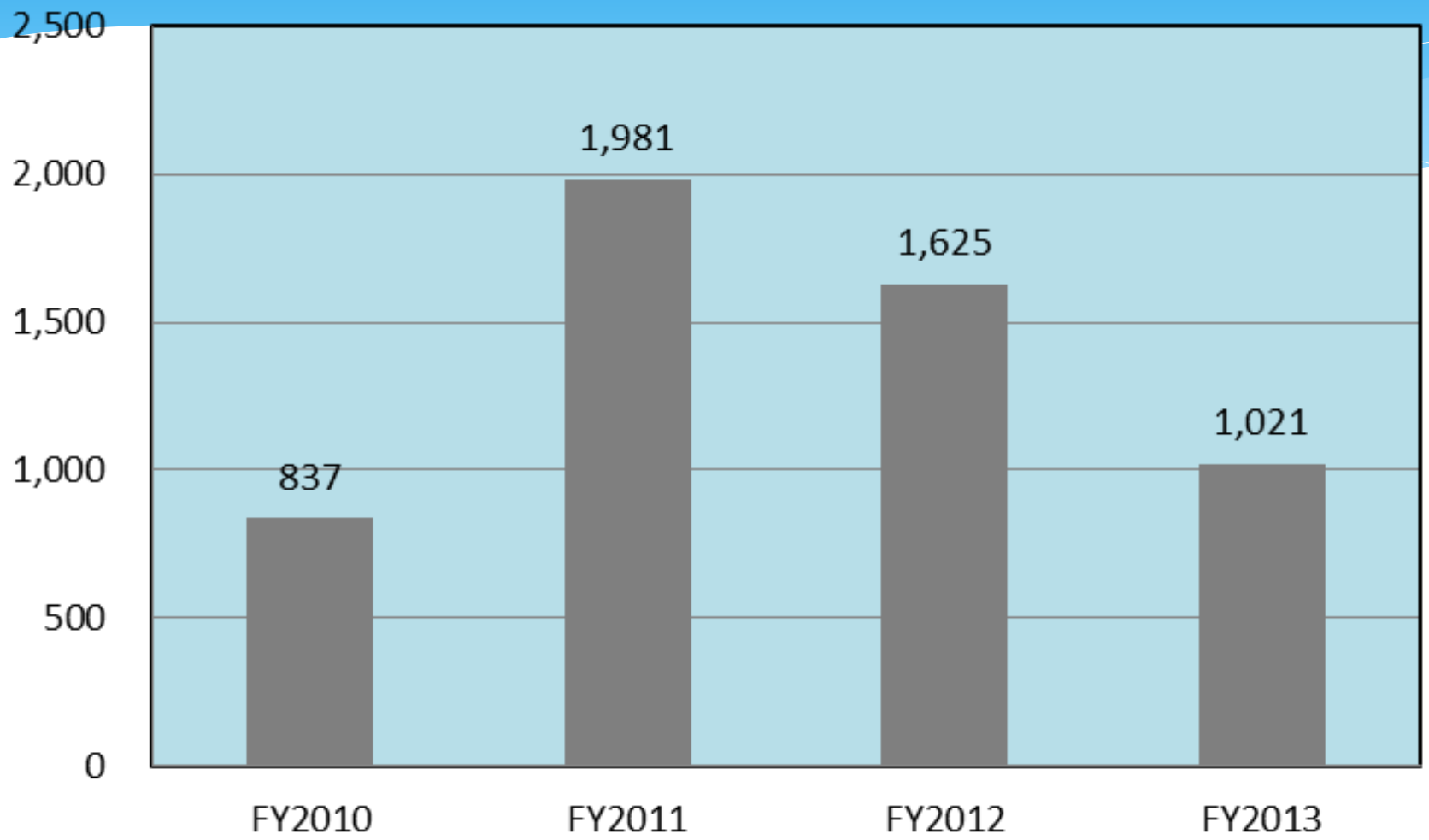
- When the customer does not accept it.
- When the lawsuit pertaining to such petition is filed.

etc.

7. a. Number of Complaint Processing Procedures FY2010 - FY2013



7. b. Number of Dispute Resolution Procedures FY2010 - FY2013



Thank you.

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