

# Internationally Competitive Financial Conglomerates Eyed

THE Financial Services Agency has drawn up “the Program for Further Financial Reform” to serve as a guideline for Japan’s financial policy after the government completely removes the full deposit guarantee at the end of March. The new program, “Japan’s challenge: Moving toward a Financial Services Nation,” calls for, among other things, establishing new legal frameworks to help create financial conglomerates that operate across several different financial sectors such as banking, securities and insurance. Japan is now poised to follow the trend of financial realignment that is continuing in the United States and Europe in a bid to bolster the international competitiveness of its financial sector.

Japan has been hard-pressed to clear away non-performing loans (NPLs) and the government introduced a financial revitalization program when Takenaka Heizo served as the financial services minister. The program called for halving the ratio of bad loans to total lending at major commercial banks by the end of this March. The Financial Services Agency conducted strict financial examinations, prompting banks to aggressively dispose of their NPLs. The banks have now achieved the goal ahead of the original schedule, thanks in part to the recovery of the Japanese economy. The new financial reform program aims to make the Japanese financial sector, which has finally moved out of the protracted doldrums, to become a “Major

League player” in the global market.

Obviously, the power base of Japan’s financial institutions cannot be strengthened only by the support of the administration. There is still a wide gap in market value between major Japanese banks and those in the United States and Europe. Japanese banks also do not have enough expertise concerning investment banking and other sophisticated financial techniques. To fill the gap, Japanese megabanks are moving behind the scenes to reorganize themselves beyond the industrial borders of trust, securities, insurance and non-bank businesses. Such moves indicate that a major financial realignment may continue this year.