

April 16, 2002

Credit Division  
General Planning Bureau  
Financial Services Agency

Thank you for your ongoing understanding and support of the activities of the American Chamber of Commerce in Japan (ACCJ) and the European Business Community (EBC).

On behalf of the ACCJ Insurance Subcommittee and the EBC Insurance Committee, we are writing concerning the announcement regarding deregulation of bank sales of insurance products made by the Second Working Group of the FSA Advisory Council on March 19, 2002.

According to the announcement regarding deregulation of bank sales of insurance products, following a period of public comment, the Cabinet is slated to approve deregulation that would allow, effective October 1, 2002, bank sales of personal annuities (including fixed and variable annuities), property/casualty recurring premium annuities, financial-type insurance and financial-type property-casualty insurance. We welcome and support this announced liberalization.

However, we were disappointed to learn that the announcement on bank sales of insurance products does not clearly refer to banks' subsidiary and affiliated securities companies (herein referred to as "Bank-Subsidiary Securities Companies"). As you are well aware, certain securities companies already sell personal annuities and have demonstrated their ability to sell these products appropriately and without problems from a consumer protection standpoint.

However, due to a note in the Banking Law Enforcement Regulations, Clause 17.1, Section 1, Item 2, Bank-Subsidiary Securities Companies can only sell insurance products if their parent companies own a subsidiary insurance company as defined in the Banking Law, Clause 16.2, Section 2, Item 6. As a result, such sales are de facto prohibited. Further, the FSA Administrative Guidelines (Section 1, "Financial Institutions that Accept Deposits," Common Item 1, Sub-Item 1-6, "Concerning Subsidiaries") state that the above Enforcement Regulations also apply to Special Subsidiary Entities (*Tokutei Shusshi Kaisha*), of which the Bank-Subsidiary Securities Companies are one category.

Although there is nothing in the Banking Law or the Securities and Exchange Law providing that Bank-Subsidiary Securities Companies should also be allowed to sell

insurance once their parent banks are allowed to do so, we believe that it is rational and appropriate to extend this deregulation to bank-subsidary and bank-affiliated securities companies as well, as long as they take appropriate preventive measures for consumer protection, as have the parent banks and large securities companies that currently sell insurance products.

From the standpoint of increasing customer convenience and promoting competition among sales channels, we believe that preparations necessary to amend the Banking Law Enforcement Regulations should begin promptly so that when parent banks are permitted to sell certain insurance products, their subsidiary and affiliated securities firms will be permitted to do so as well.

We wish to ask for your understanding and consideration on this important issue.

Sincerely,

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Chairman, Insurance Committee  
European Business Community

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