

**European Business Council (EBC) response to request for public comments regarding the Postal Privatization Committee's "Findings Regarding the Investigation and Deliberation Over New Business Operations by the Postal Savings Bank and Postal Insurance Corporation Postal Privatizations"**

**European Business Council in Japan  
January 31, 2007**

The European Business Council in Japan (EBC) welcomes the opportunity to respond to the Postal Privatization Committee's "Findings Regarding the Investigation and Deliberation Over New Business Operations by the Postal Savings Bank and Postal Insurance Corporation Postal Privatizations". We also commend the Commission for soliciting, during its investigation, a wide-range of opinions from government, industry, and the general public, including representatives of the EBC.

The EBC's comments concerning the Commission's Findings are as follows.

- **Ensuring smooth integration of Japan Post into the financial system** – The EBC supports the Commission's Findings stressing the importance of ensuring a smooth integration of the two newly privatized postal financial institutions into the financial system, "which should allocate risks and returns based on economic rationality". This includes equipping Japan Post with the tools necessary to manage its assets and liabilities in a proper manner and eliminating any misperception of "implicit government guarantees". Failure to do so could have grave consequences to the stability of the Japanese financial system.
- **Establishing adequate internal auditing and compliance systems** – The EBC supports the Commission's Findings that adequate internal auditing and compliance systems should be established within Japan Post, supported by rigorous inspection and supervision from the relevant authorities. The EBC recommends that the FSA conduct a comprehensive inspection of the Japan Post financial services entities as soon as is feasibly possible. This would reassure potential investors, customers, competitors and the Public that Japan Post is indeed ready to function as a private entity. Adequate risk management systems must be a pre-requisite to expansion of the scope of operations for the new entities.
- **Creating a "level playing field"** – The Commission seems to place more emphasis on Japan Post's "growth potential" than on competition and sound business management, which contradicts its own finding that Japan Post's already bloated scale distorts the functions of the financial market. The EBC is disappointed that no explicit mention was made in the Commission's Findings concerning the implementation of "measures to ensure equivalent conditions of competition and other companies engaged in like business operations", as stipulated in Article 2 of the Postal Privatization Law. Consumer interests will not be promoted over the long run if competitors are not treated equally and competition is distorted. The issue of the implicit government guarantee needs to be tackled to ensure the ongoing stability of the insurance market at a time when Kampo is seeking to expand its sphere of operations.

**About the EBC:**

The European Business Council (EBC) is the trade policy arm of the 18 European national chambers of commerce and business associations in Japan. Established in 1972, the EBC works to improve the trade and investment environment for European companies in Japan. The EBC currently represents more than 3,000 local European companies and individuals who are members of their national chambers of commerce. 350 of these companies participate directly in the EBC's 28 sector-based committees.

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