

January 11, 2013

**Comments on the Financial Stability Board's Consultative Document:
*Strengthening Oversight and Regulation of Shadow Banking, A Policy Framework
for Strengthening Oversight and Regulation of Shadow Banking Entities***

Japanese Bankers Association

We, the Japanese Bankers Association, would like to express our gratitude for this opportunity to comment on the consultative document: *Strengthening Oversight and Regulation of Shadow Banking, A Policy Framework for Strengthening Oversight and Regulation of Shadow Banking Entities* released on November 18, 2012 by the Financial Stability Board (FSB).

We hope that our comments below will assist in the remaining work towards finalising the rules by the FSB.

<General Comments>

Consolidated subsidiaries of a banking group are already subject to oversight under the prudential regulation, and hence, if these consolidated subsidiaries are deemed to be a shadow banking entity, a duplicative regulation may be imposed on these subsidiaries. Therefore, we respectfully request FSB to clarify that consolidated subsidiaries of a banking group are not a shadow banking entity (i.e., such consolidated subsidiaries are not subject to any proposed policy toolkits.)

<Specific Comments>

Principle 2: Authorities should collect information needed to assess the extent of risks posed by shadow banking.

For ensuring the quality of information, such as accuracy, timeliness and completeness, as well as the quality of oversight, it is desirable for each national authority to directly obtain information from entities subject to the shadow banking regulation in order for authorities to narrow down the focus and implement oversight, rather than to use information provided by banks not subject to that regulation. As such, from the perspective of ensuring the effectiveness of the regulation, we respectfully request to add “each national authority should develop a system for collecting information directly from, and oversight over, those entities subject to the shadow banking regulation.”