

June 13, 2013

Comments on the International Organization of Securities Commissions' Consultation Report
"Regulation of Retail Structured Products"

Japanese Bankers Association

We, the Japanese Bankers Association ("JBA"), would like to express our gratitude for this opportunity to comment on the Consultation Report "Regulation of Retail Structured Products" published in April 2013 by the International Organization of Securities Commissions ("IOSCO").

We hope that our comments below will be of assistance as you work towards finalising the Report.

<General comment>

The regulation for retail structured products in Japan, for the purpose of promoting investor protection, applies to not just registered "financial instruments business operators" but also other financial institutions and investors, thereby having a broad impact on a wide-range of market participants. While this regulation puts emphasis on sales practice and information disclosure, we believe that this regulation, since its introduction, has significantly contributed to enhanced investor protection., as well as the development of the retail structured product market.

Given all these experiences in the structured product market, it is necessary to give due regard to the historical background and characteristics of regulatory developments in each jurisdiction when we consider what the regulation of retail structured products and appropriate oversight should be like. Therefore, we fully support the view noted in the Consultation Report that regulators can "incorporate these tools on a selective basis or in a manner best suited to their circumstances and national legal frameworks."

<Specific comments>

- (Q6) The introduction of regulatory pre-approval process for products could enhance investor protection since the regulator can review and require the products to comply with the standards stipulated by the regulator before they go to market. On the other hand, as noted in the Consultation Report, the pre-approval process needs to be reviewed in light of the risk that investors may not collect necessary information believing that the regulator has already checked the product for them, thereby the regulation may not properly function as intended.

Further, with a variety of structured products already offered in the Japanese market, introducing new regulatory pre-approval process and applying it to existing products could result in lost opportunity for investors who have adequate understanding of investment risks to invest in unapproved structured products. Therefore, the introduction of such pre-approval process needs to be discussed in view of such a risk.

- (Q9) In Japan, in December 2012, the Financial System Council released a report which, from the standpoint of improving disclosure to investors, proposes "that it is appropriate to issue two types of investment report (summary and details)" and "to enable delivery of an investment report via the electromagnetic means". As of May 2013, Proposed Partial Amendments to the Act on Investment Trusts and Investment Corporations reflecting the recommendations made in the above report was submitted to the Diet.

Accordingly, the introduction of the short-form or summary disclosure in Japan needs to be done taking into account the legislative developments above.