2012 Financial Risk Management Survey Results Report

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Profile of survey respondents

- Responses to the survey were obtained from 301 TRMA members, which is more than twice the number of responses to the previous survey (2009). The total number of members at the end of December was just under 1,860, and given that about 1,450 of these members had registered their e-mail addresses, responses were received from about 20% of the members contacted. The responses from more than 300 currently active risk managers could be considered unprecedented in a survey of this type in Japan.
- The makeup of respondents' affiliate organizations is shown in figure 0-1. 60.8% of responses were received from members affiliated with the three main types of financial institutions (banks, securities companies, and insurance companies.
- Figure 0.2 shows the respondents' duties based on self reporting. The largest group was "Risk managerst," at 37%, followed by "Consulting" (15%) and "Front Offices" (11%).

Fig. 0-1: Makeup of respondents' affiliate organizations

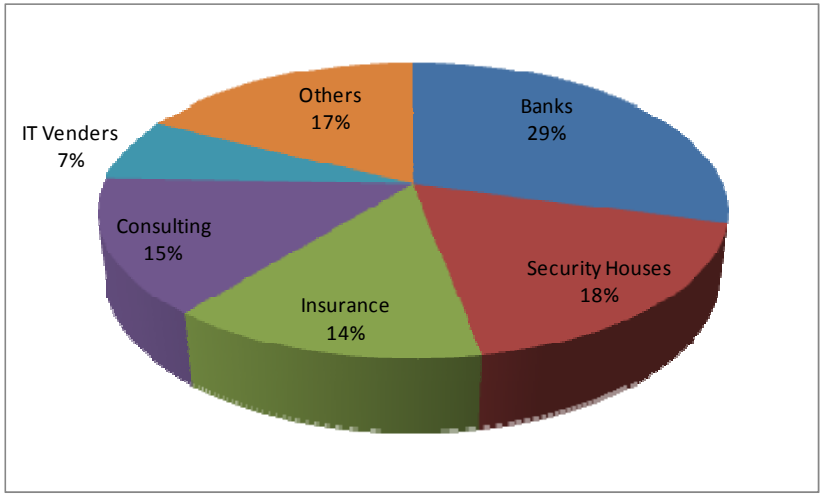
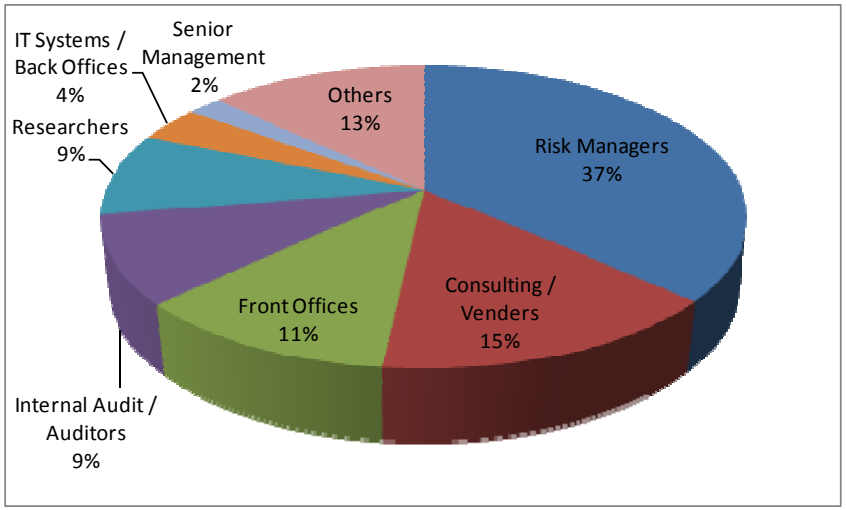


Fig. 0-2: Makeup of respondents' duties



2012 TRMA Financial Risk Management Survey Executive Summary

- Looking at the survey results for each theme:
  - First of all, the involvement of senior management in risk management has increased.
  - On the other hand, there were many responses stating that effective discussions at Risk Management Committee meetings had not progressed very much; that the status and authority of Chief Risk Officers (CRO) had not been strengthened very much; and that sufficient resources are still not being allocated to Risk Management Divisions. These responses suggest that although senior management are expressing an increased interest in risk management, this interest does not necessarily tie into concrete reinforcements.
  - Regarding risk appetite, more than half of respondents were of the opinion that risk should be used as a standard when creating business plans, but at the same time, it became clear that this approach has not penetrated or become entrenched as part of actual operations.
  - Regarding capital management, two opinions were at odds; the opinion that regulatory capital and economic capital are approaching one another, and the opinion that they are drifting apart. Responses also indicated continued struggles with regard to the structure of approaches and frameworks regarding capital management, and a greater number of respondents expressed the opinion that there is meaning in creating reconstruction and bankruptcy plans.
  - Regarding stress tests, there were indications that integrated stress tests are being employed more broadly, and it appears that reports to management on test results have already become commonplace. The issue raised most frequently with regard to stress tests was the “Setting of appropriate scenarios.”
  - Although many respondents indicated that liquidity risk management has improved, these opinions were not yet in the majority. There were also conflicting opinions regarding whether or not the strengthening of liquidity risk regulations reduced liquidity risks.
  - Regarding risk data, although many respondents said that there have been improvements, it became clear that many members are concerned about the fact that this data continues to be stored in various systems in a scattered fashion.
- Overall, despite an increased interest and involvement in risk management by management teams, risk managers are not confident top management’s distribution of resources. The survey also indicated that the persons involved are struggling to promote an understanding of risk management within the companies and organizations in question.
- On the other hand, the responses in general were more concrete than in the previous questionnaire, suggesting that the level of financial risk management in Japan has increased. The high level of awareness among the respondents was also notable, for example in a large number of essay-type answers.

TRMA

A) Risk Governance

B) Risk Appetite

C) Capital Management

D) Stress Testing

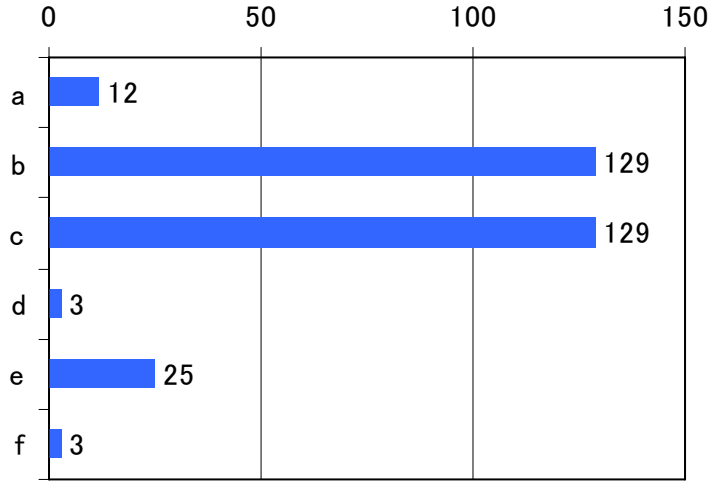
E) Liquidity Risk Management

F) Risk Data and IT Systems

A. Risk governance
A-1. The role and responsibilities of senior management

- Since the recent financial crisis, the responsibilities of CEOs and Boards of Directors in risk management at financial institutions has been emphasized. Do you think that involvement in risk management by Boards of Directors and management teams at Japanese financial institutions has improved?
  - a. Improved dramatically
  - b. Improved to some degree
  - c. No change
  - d. Decreased
  - e. N.A.
  - f. Other (please elaborate)

Fig. A-1: Responses to Question A-1

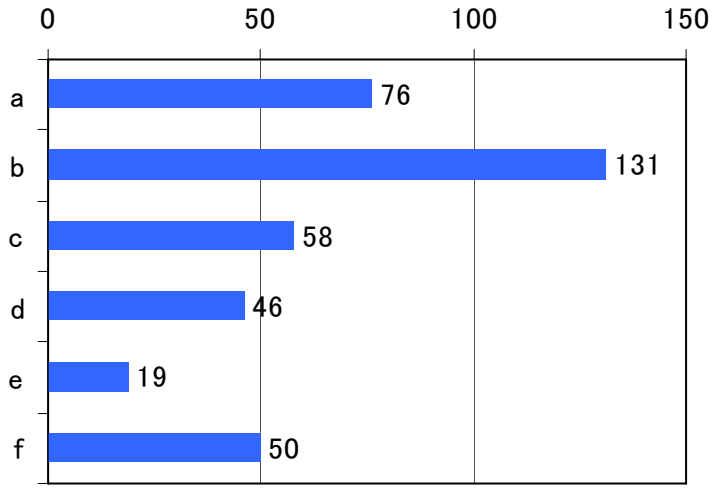


Combining the answer a and b together, we could reasonably state that involvement in risk management by management teams has increased.

A. Risk governance
A-2. Governance-related problems

- Even after the financial crisis, various governance related problems, such as “rogue trading,” appear to be continuing. Please select the opinion below that most closely reflects your own (multiple answers acceptable).
  - a. Managers at financial institutions are aware of the issues, and the situation will improve.
  - b. Operations at global financial institutions have become overly complex, going beyond the understanding of management, so the situation will not improve.
  - c. Thanks to the stricter regulations (e.g. Basel III, Solvency regulations, liquidity regulations, etc.), the situation will improve.
  - d. The current problems have other factors, including the slowdown in the economy as a whole; governance is not the problem.
  - e. N.A.
  - f. Other (please elaborate)

Fig. A-2: Responses to Question A-2

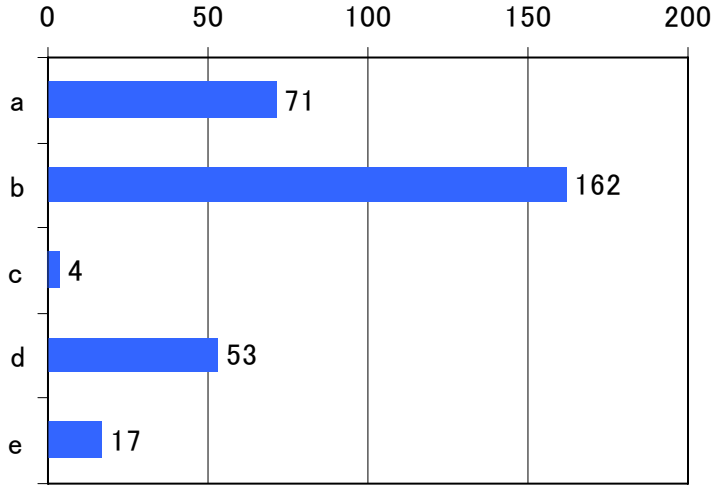


Regarding governance related problems, the most common response was negative; that is, that “the situation will not improve” (b.: 131), but this number was offset by a roughly equivalent total number of positive responses regarding the independent efforts of managers (a.: 76) and strengthening of regulations (c.: 58).

A. Risk governance
A-3. Collaborations between Finance Divisions and Risk Management Divisions

- Recently, the importance of collaborations between Finance Divisions and Risk Management Divisions in the context of risk management has been emphasized. What do you think of the current status of these collaborations at Japanese financial institutions?
  a. Collaborations have improved
  b. Collaborations are necessary, but the situation has not necessarily improved
  c. It is not particularly necessary to improve collaborations between Finance Divisions and Risk Management Divisions
  d. N.A.
  e. Other (please elaborate)

Fig. A-3: Responses to Question A-3

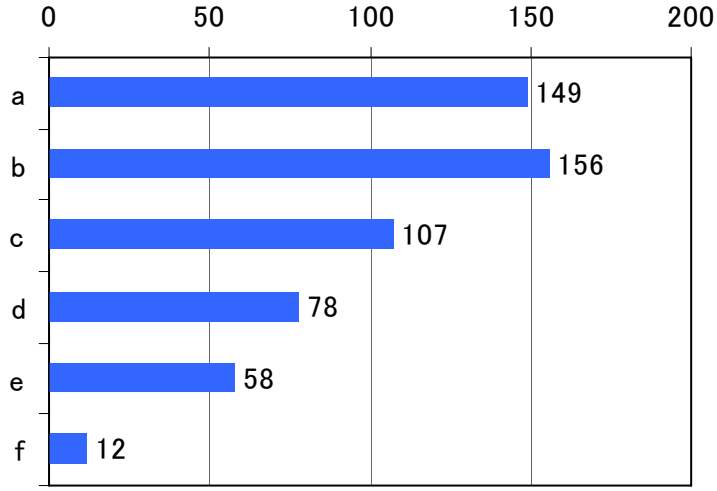


Regarding collaborations within financial institutions, responses stating that collaborations between Finance Divisions and Risk Management Divisions are necessary but that the situation has not necessarily improved (b.: 162) far exceeded those stating that collaborations had improved (c.: 71).

A. Risk governance
A-3-1. Fields where the collaborations have increased or are needed

- This question is for those who responded with either a (collaborations have improved) or b (collaborations have not improved) in question A-3 above. In which fields you think collaborations between Finance Divisions and Risk Management Divisions have improved (or need to improve)?
  a. Regulatory capital management (including risk asset control)
  b. Economic capital / risk capital management
  c. Monitoring of profits and revenues
  d. Monitoring and cash management
  e. Development of risk/capital models
  f. Other (please elaborate)

Fig. A-3-1: Responses to Question A-3-1

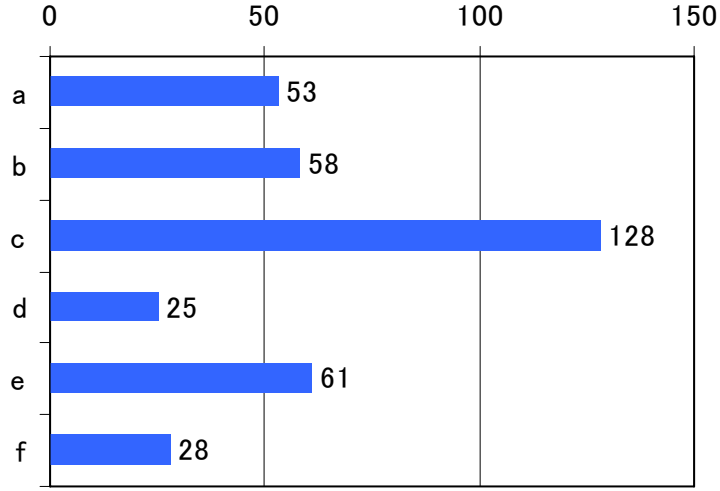


As for the fields in which collaborations between Finance Divisions and Risk Management Divisions have improved (or need to improve), the most common response was “Allocation/operation/management of economic capital (including risk capital)” (b.: 156), followed closely by “Control of equity capital regulation ratios (including risk assets)” (a.: 149). Many respondents also included “Monitoring of profits and revenues” (c.107).

A. Risk governance
A-4. Risk Management Committee

- What do you think of the current status of Risk Management Committees at Japanese financial institutions?
  - a. Risk Management Committees at Japanese financial institutions, well participated by senior management teams, have no problems with regard to governance.
  - b. Risk Management Committee meetings have increased as a result of inspections and strengthened regulations by authorities, but conversely, they have become simply a formality.
  - c. Committees in general tend to become mere formalities, and it is difficult to conduct practical discussions.
  - d. Risk Management Committees at Japanese financial institutions are required by regulating authorities; practical discussions are conducted outside of these committees.
  - e. N.A.
  - f. Other (please elaborate)

Fig. A-4: Responses to Question A-4

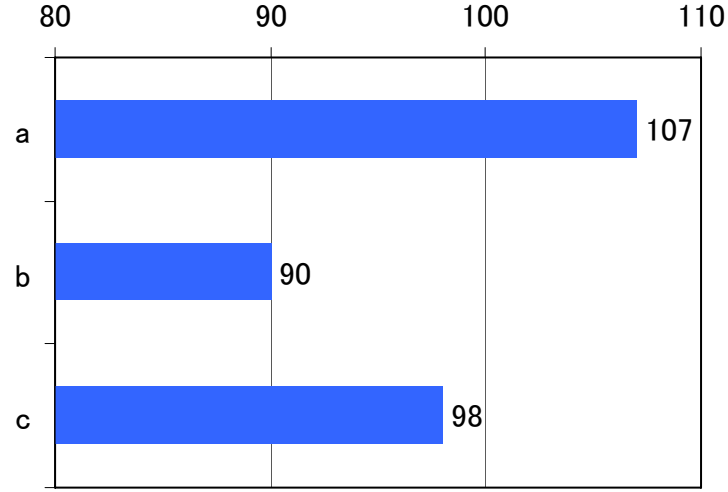


In response to a question regarding Risk Management Committees, most respondents replied that “Is difficult to conduct practical discussions at committee meetings” (c.: 128). This number, combined with replies that “as a result of inspections and strengthened regulations, meetings have become a formality” (b.: 58), accounted for the majority.

A. Risk governance
A-5. Board Risk Management (or Oversight) Committee

- In recent years, in addition to regular Risk Management Committees, establishment of so-called Board Risk Management Committee (or Risk Oversight Committees) directly reporting to the Board of Directors has been promoted. What are your thoughts on this trend?
  a. Similar committees should be established at Japanese financial institutions.
  b. Similar committees should not be established at Japanese financial institutions.
  c. I don't know

Fig. A-5: Responses to Question A-5

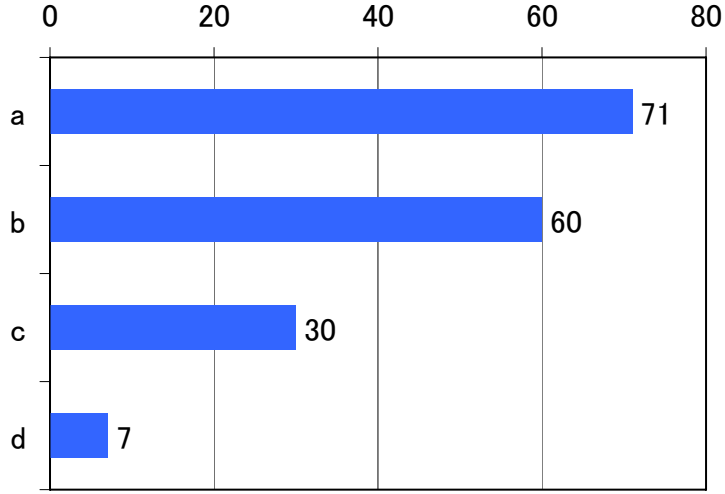


In response to a question regarding Risk Management Committees directly under the Board of Directors, the number of respondents who said that "Similar committees should be established at Japanese financial institutions" (a.: 107) slightly exceeded the number who said that "Similar committees should not be established" (b.: 90).

A. Risk governance
A-5-1. Opinions in favor of Board Risk Committee

- This question is for those who responded with a (Board Risk Management Committees should be established) in question A-5 above. Please select the opinion below that most closely reflects your reasons for selecting a.
  a. Board Directors need to gain a better understanding of risks
  b. Questions should be asked directly to the persons involved, with the authority of Board Directors, to avoid responses subject to the screening and bias of executive management
  c. Discussions at regular Risk Management Committee meetings are nothing more than formalities
  d. Other (please elaborate)

Fig. A-5-1: Responses to Question A-5-1

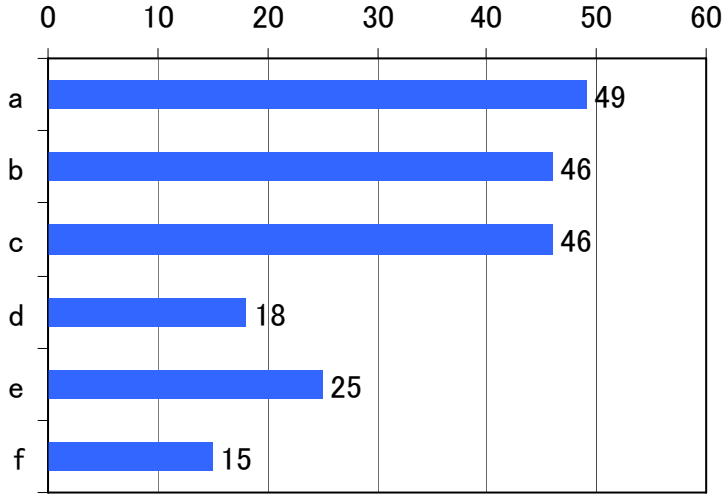


When asked their reasons for responding that Risk Management Committees should be established under the direct jurisdiction of the Board of Directors, the most common replies were that “Board Directors need to gain a better understanding of risks” (a.: 71) and “Questions should be asked directly to the persons involved, with the authority of Board Directors” (b.: 60).

A. Risk governance
A-5-2. Opinions opposing Board Risk Committee

- This question is for those who responded with b Board (Risk Committees should not be established) in question A-5 above. Please select the opinion below that most closely reflects your reasons for selecting b.
  - a. There is no clear difference between these committees and regular Risk Management Committees
  - b. In Japan, Board of Directors meetings and Risk Management Committee meetings comprise roughly the same members
  - c. Even if Board Risk Management Committees are established, the discussions will be nothing more than formalities
  - d. Board Directors do not have a clear understanding of risks
  - e. I can't understand the reason (need, etc.) for establishing a Risk Management Committee under the direct jurisdiction of the Board of Directors
  - f. Other (please elaborate)

Fig. A-5-2: Responses to Question A-5-2

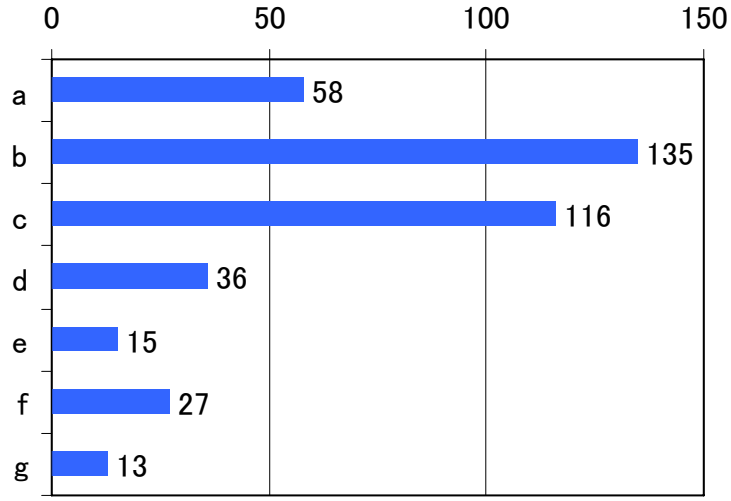


When asked why Risk Management Committees should not be established under the direct jurisdiction of the Board of Directors at Japanese financial institutions, the most common response was "There is no clear difference between these committees and regular Risk Management Committees" (a.: 49), followed by "In Japan, Board of Directors meetings and Risk Management Committee meetings comprise roughly the same members" (b.: 46) and "Even if Risk Management Committee meetings are established under the direct jurisdiction of the Board of Directors, the discussions will be nothing more than formalities" (c.: 46).

A. Risk governance
A-6. The authority of the Chief Risk Officer

- There are suggestions that independent Chief Risk Officers (CROs) should be given a high level of status and authority within senior management. How would you describe the situation at Japanese financial institutions?
  a. Japanese financial institutions have begun placing an emphasis on CROs and Directors in charge of risk management
  b. Japanese financial institutions have begun assigning CROs and Directors in charge of risk management, but their status and authority remain minimal
  c. Japanese financial institutions emphasize rotation, so staff suitable to the position of CRO are still not being trained, and it is difficult for them to execute their role
  d. There is no more need to give special authority to the CRO
  e. A CRO or Director in charge of risk management has not been assigned
  f. N.A.
  g. Other (please elaborate)

Fig. A-6: Responses to Question A-6

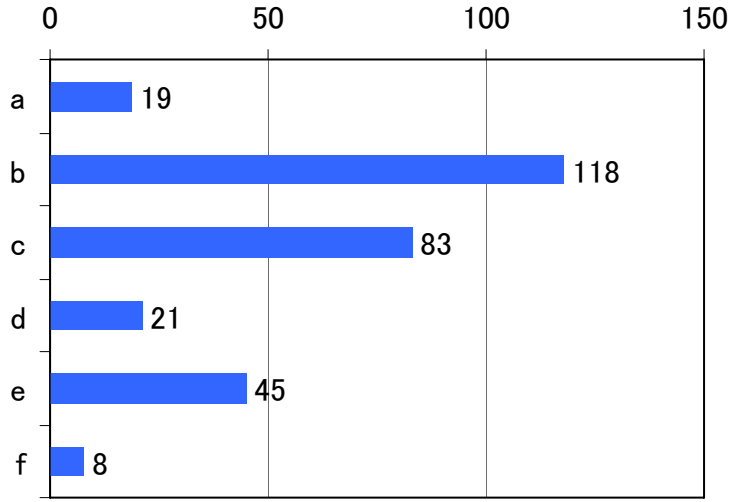


In response to a question regarding the role of Chief Risk Officer (CRO), the most common responses were “Japanese financial institutions have begun assigning CROs and Directors in charge of risk management, but their status and authority remain minimal” (b.: 135) and “Japanese financial institutions emphasize rotation, so staff suitable to the position of CRO are still not being trained, and it is difficult for them to execute their role” (c.: 116), indicating doubts about the ability of CROs to execute their functions effectively.

A. Risk governance
A-7. Allocation of management resources to the Risk Management Division

- Do you think that the allocation of management resources to the Risk Management Divisions has improved at Japanese financial institutions over the past two years?
  - a. Sufficient management resources are now being allocated to Risk Management Divisions
  - b. More management resources are being allocated to Risk Management Divisions than in the past, but not enough
  - c. There has been no significant change in the allocation of resources to Risk Management Divisions
  - d. There has been a decrease in the allocation of resources to Risk Management Divisions
  - e. N.A.
  - f. Other (please elaborate)

Fig. A-7: Responses to Question A-7



In response to a question regarding management resources, many respondents said that “More management resources are being allocated to Risk Management Divisions than in the past, but not enough” (b.: 118). A large number also said either that “There has been no significant change in the allocation of resources to Risk Management Divisions” (c.: 83) or that such allocations have decreased (d.: 21). Overall, most responses indicated that sufficient resources are not being allocated to Risk Management Divisions.

TRMA

A) Risk Governance

B) **Risk Appetite**

C) Capital Management

D) Stress Testing

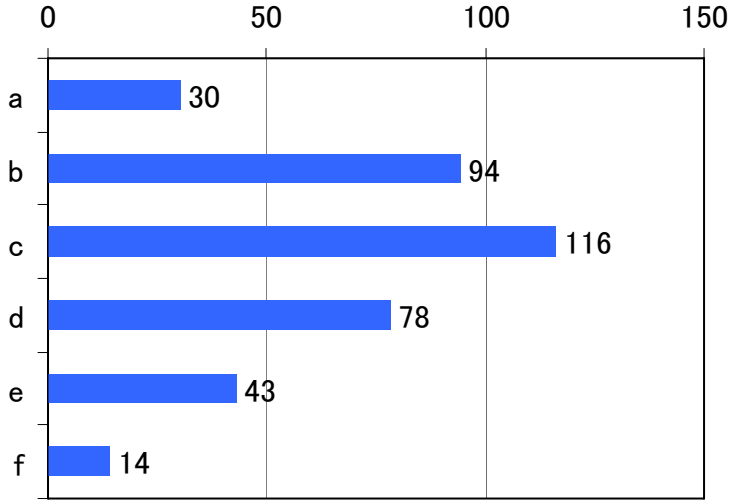
E) Liquidity Risk Management

F) Risk Data and IT Systems

B. Risk appetite
B-1. Development of Risk Appetite

- A idea of risk appetite has been promoted to be established. Do you think that the concept of risk appetite has been discussed or entrenched at Japanese financial institutions over the past two years?
  a. Approaches and activities applying the concept of risk appetite to work operations have evolved and become entrenched
  b. The concept has not necessarily become entrenched
  c. It is extremely difficult to incorporate the concept of risk appetite into Japanese organizations
  d. The concept of risk appetite is itself ambiguous and so cannot be adopted effectively by organizations
  e. N.A.
  f. Other (please elaborate)

Fig. B-1: Responses to Question B-1

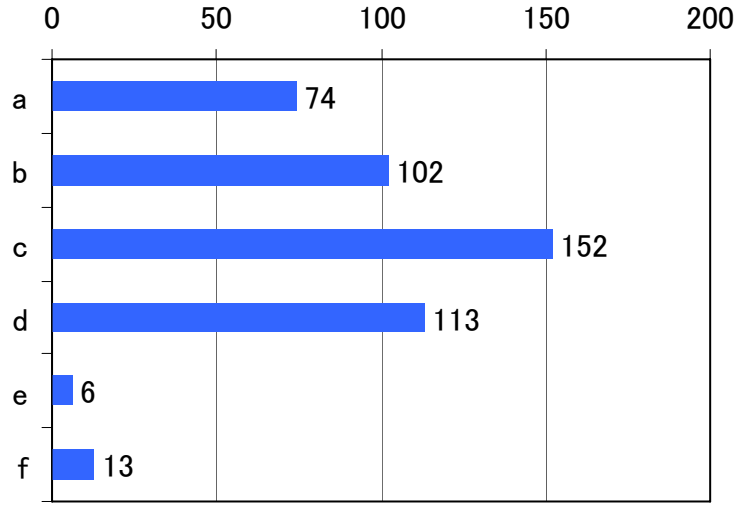


In a question regarding advances in risk appetite, the most common response was that “It is extremely difficult to incorporate the concept of risk appetite into Japanese organizations” (c.: 116), followed by “Discussions of risk appetite have not necessarily become entrenched” (b.: 94) and “The concept itself is ambiguous and so cannot be adopted effectively by organizations” (d.: 78). All three of these responses far outnumbered “The concept of risk appetite has evolved and become entrenched” (a.: 30). The results suggest that the concept has not become entrenched since then.

B. Risk appetite
B-1-1. Issues in the penetration of risk appetite

- This question is for those who responded with b (the concept has not necessarily become entrenched), c (difficult to incorporate the concept), or d (the concept is ambiguous and so cannot be adopted effectively) in question B-1 above. What you think are the main issues involved in the penetration of risk appetite?
  - a. Establishing appropriate risk management methods
  - b. Incorporating risk appetite into division evaluation indexes
  - c. Promoting the penetration of the basic concept of risk appetite into the organization as a whole
  - d. Obtaining the understanding and support of top management
  - e. N.A.
  - f. Other (please elaborate)

Fig. B-1: Responses to Question B-1

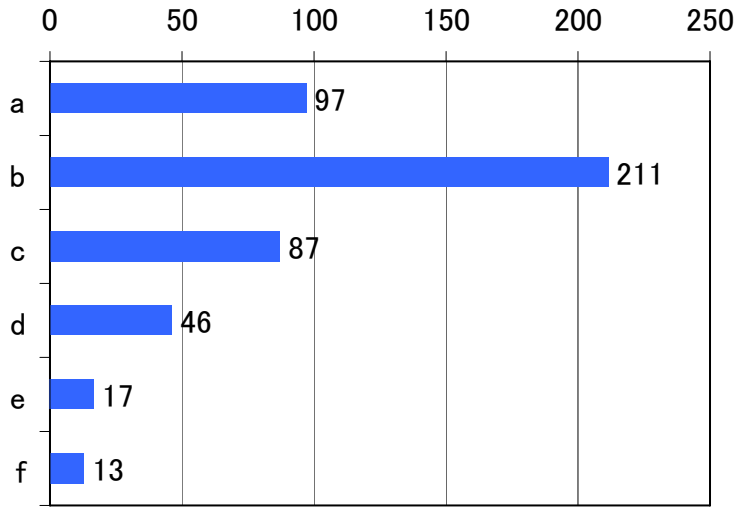


In a question about the issues involved in the penetration of the concept of risk appetite, the most common response was “Promoting the penetration of the basic concept of risk appetite into the organization as a whole” (c.: 152) followed by “Obtaining the understanding and support of top management” (d.: 113).

B. Risk appetite
B-2. How to use Risk Appetite

- How do you think that risk appetite should ultimately be used? Please select the opinion below that most closely reflects your own (multiple answers acceptable).
  a. Should be used as a code of conduct for individual employees, as part of the company's corporate culture
  b. Should be used as a standard when creating business plans
  c. Should be used as a standard when evaluating business performance
  d. Should be used as a standard for organizational operations by the Board of Directors or the management team, and should not be applied on the employee level
  e. N.A.
  f. Other (please elaborate)

Fig. B-2: Responses to Question B-2



In a question regarding how the concept of risk appetite should be used, the most common response was that "It should be used as a standard when creating business plans" (b.: 211), followed by "It should be used as a code of conduct" (a.: 97) and "It should be used as a standard by the management team" (c.: 87).

TRMA

A) Risk Governance

B) Risk Appetite

C) **Capital Management**

D) Stress Testing

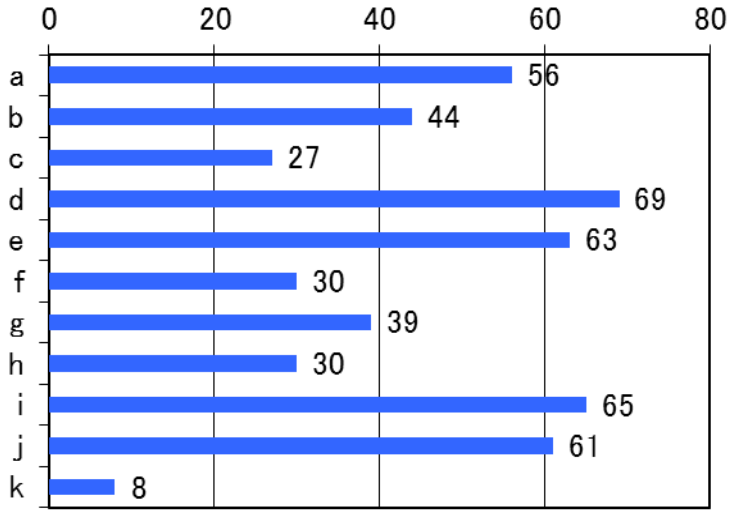
E) Liquidity Risk Management

F) Risk Data and IT Systems

C. Capital management
C-1. The current status of capital management

- You think that capital management methods have changed over the past two years?
  - a. Capital management methods have changed in keeping with changes to regulatory capital
  - b. Approaches to the allocation of economic capital have changed
  - c. Capital costs are reflected more appropriately in capital management
  - d. A greater emphasis is placed on regulatory capital
  - e. The results of stress tests are reflected in capital management
  - f. Economic capital and regulation capital are being managed more consistently with one another
  - g. The use of capital is now being re-examined through portfolios
  - h. Capital management is being emphasized on a consolidated base
  - i. Capital management methods have not changed significantly
  - j. N.A.
  - k. Other (please elaborate)

Fig. C-1: Responses to Question C-1



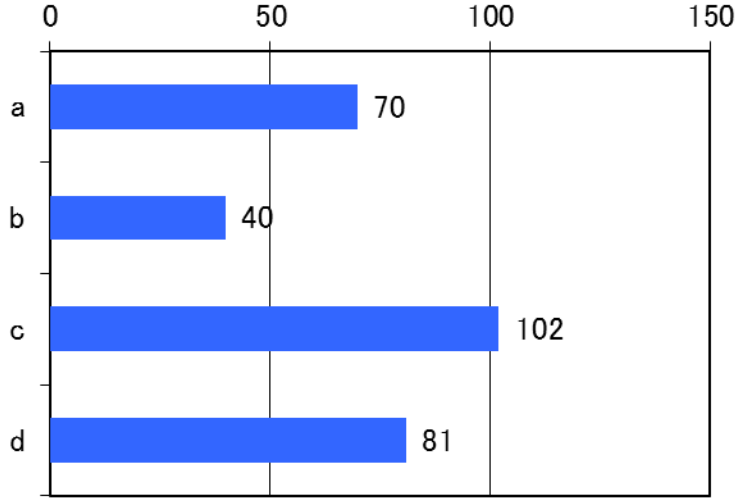
The answers were fairly evenly distributed, but overall, responses indicate that activities involving capital management have evolved over the past two years: “A greater emphasis is placed on regulatory capital” (d.: 69); “The results of stress tests are reflected in capital management” (e.: 63); “Capital management methods have changed in keeping with changes to capital adequacy regulations” (a.: 56); and “Approaches to the allocation of economic capital have changed” (b.: 44). At the same time, the responses indicated that during these two years, regulatory capital has had a dramatic effect on capital management (total of 155 for a., d., and f. combined).

C. Capital management
C-2. Regulatory capital and economic capital

- Do you think that the approaches to regulatory capital and economic capital have converged over the past two years?

  a. The approaches to regulatory capital and economic capital have converged
  b. The approaches to regulatory capital and economic capital have diverged
  c. The relationship between these two approaches has not changed significantly
  d. N.A.

Fig. C-2: Responses to Question C-2



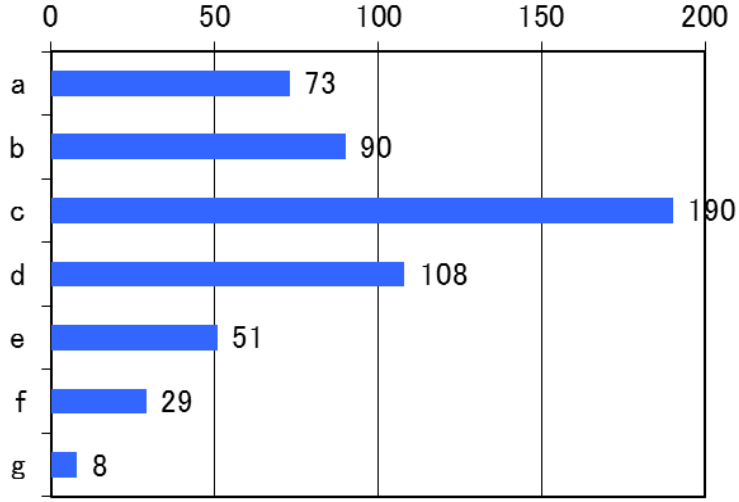
In a question regarding the relationship between approaches to regulatory capital and economic capital, the most common response was that “the relationship has not changed significantly” (c.: 102). The number of respondents who said that the relationship is converging (a. 70) exceeded the number who said “it is diverging” to some degree, but no significant difference could be seen.

C. Capital management
C-4. Issues in the improvement of capital management

- What you think are the main problems and issues involved in the improvement of capital management?

a. IT Systems used in capital management
b. Data used in capital management
c. The construction of frameworks for and approaches to capital management
d. Gaining the understanding of the parties involved in capital management
e. Trends in the strengthening of regulations
f. N.A.
g. Other (please elaborate)

Fig. C-4: Responses to Question C-4



In a question regarding the main problems and issues involved in the improvement of capital management, the most common response was “The construction of frameworks for and approaches to capital management” (c.: 190), followed by “Gaining the understanding of the parties involved in capital management” (d.: 108), which outnumbered both “Data” (b.: 90) and “IT Systems” (a.: 73).

These results indicate that in the context of improving capital management, more respondents are concerned about the difficulty of building frameworks and approaches, rather than the technical issues such as data and systems.

TRMA

A) Risk Governance

B) Risk Appetite

C) Capital Management

D) **Stress Testing**

E) Liquidity Risk Management

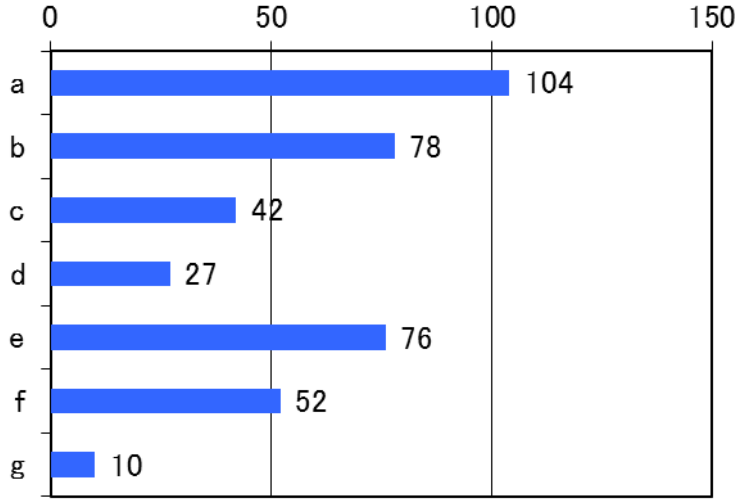
F) Risk Data and IT Systems

D. Stress tests
D-1. Integrated stress test

- Various advisory documents published in 2008 and 2009 suggested that comprehensive stress tests should be undertaken throughout all areas of financial institutions. What do you think of the current status of these tests at Japanese financial institutions?

  a. Stress tests are basically implemented in individual categories such as market, credit, and operations, and the results are combined as required
  b. Integrated stress tests are conducted to cover multiple risks
  c. Integrated stress tests are conducted on a group basis to cover multiple risks
  d. Integrated stress tests are not emphasized (are not conducted)
  e. It would be desirable to conduct Integrated stress tests that cover multiple risks
  f. N.A.
  g. Other (please elaborate)

Fig. D-1: Responses to Question D-1



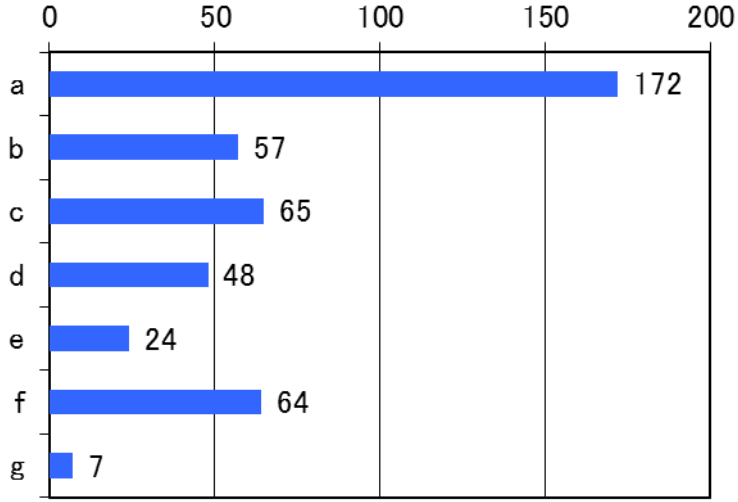
Respondents that answered with a-c numbered 104, 78, and 42, respectively, indicating that at the majority of financial institutions, integrated stress tests that combine various risks are conducted in one form or another. At the same time, however, the responses indicated that although the importance of integrated stress tests is recognized, some companies are still struggling with the contents and application methods.

D. Stress tests
D-2. The use of stress test results

- How are stress test results handled at Japanese financial institutions?

  a. Stress test results are reported to senior management (e.g., Risk Management Committees)
  b. Venues have been put in place to discuss the results of stress tests with the management team
  c. Stress test results are summarized in reports, but there are no notable discussions about these reports
  d. New reports on stress test results have been created for submission to management (or the contents of reports have changed dramatically)
  e. Depending on the stress test results, frameworks are created and implemented to tie these results into management action; e.g., reducing limits, re-examining risk appetite, etc.
  f. N.A.
  g. Other (please elaborate)

Fig. D-2: Responses to Question D-2



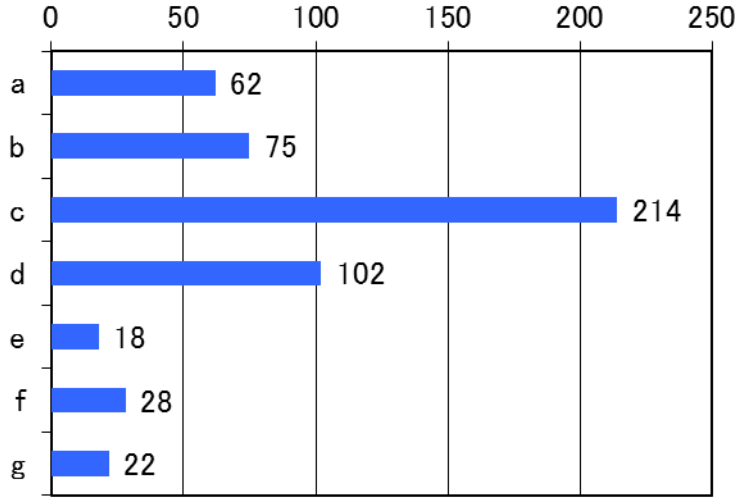
Responses showed that in most cases, reports on stress test results are forwarded to Risk Management Committees or other management bodies (a.: 172). Regarding discussions with management teams, however, the number of respondents saying that results are discussed (b.: 57) was offset by the number that said there are no notable discussions (c.: 65). Nevertheless, some respondents selected “results are tied into judgment action,” although these were in the minority (24).

D. Stress tests
D-3. Issues involved in conducting stress tests

- What you think are the main problems and issues involved in conducting stress tests at Japanese financial institutions?

  a. IT Systems used in stress tests
  b. Data used for stress tests
  c. Setting up appropriate stress scenarios
  d. Gaining the understanding of the parties involved in conducting stress tests
  e. Creating reports on stress test results
  f. N.A.
  g. Other (please elaborate)

Fig. D-3: Responses to Question D-3



Among the answers to this question, “Setting up appropriate stress scenarios” (c. 214) stood out most prominently. In the essay type answers as well, respondents referred to the difficulty of creating appropriate scenarios. A significant number of respondents also mentioned “the understanding of the parties involved” (d.: 102).

As indicated in questions D-1 and D-2 above, it appears that two of the key issues in conducting stress tests are finding ways of conducting stress tests as part of day-to-day operations, and finding specific ways of utilizing the results.

TRMA

A) Risk Governance

B) Risk Appetite

C) Capital Management

D) Stress Testing

E) Liquidity Risk Management

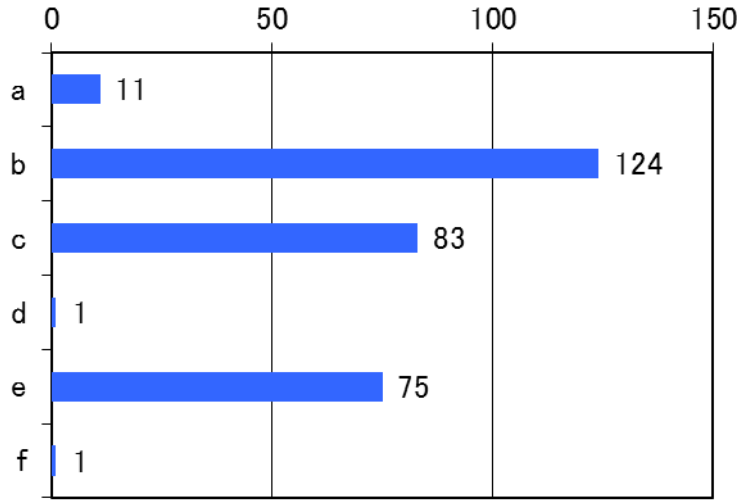
F) Risk Data and IT Systems

E. Liquidity risk management
E-1. Development of liquidity risk management

- Do you think that Japanese financial institutions have improved liquidity risk management over the past two years?

  a. Have improved liquidity risk management significantly
  b. Have somewhat improved liquidity risk management
  c. Have not improved liquidity risk management much
  d. Have degraded liquidity risk management than in the past
  e. N.A.
  f. Other (please elaborate)

Fig. E-1: Responses to Question E-1



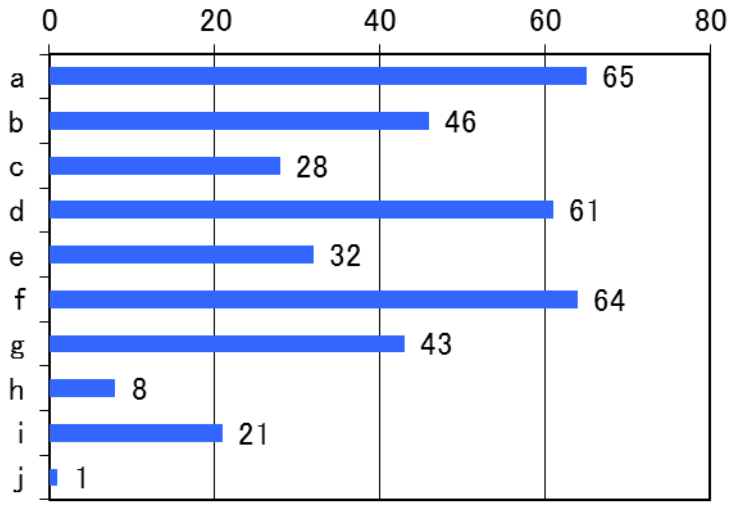
In response to a question regarding liquidity risk management, the respondents were divided; although a large number said that “many Japanese institutions have adopted a positive stance” (b.: 124) others felt that “not many have adopted this stance” (c.: 83). A significant number of respondents also said “N.A.” (e.: 75), indicating that awareness and conditions varies depending on the business involved.

E. Liquidity risk management
E-1-1. Areas of development

- This question is for those who responded with a (a large number of Japanese financial institutions have adopted a positive stance) or b (a significant number have adopted a positive stance) in question E-1 above. In which area(s) do you think that the development has been made?

  a. Senior Management involvement
  b. Preparation of data related to liquidity
  c. Preparation of IT systems related to liquidity
  d. Implementation of liquidity stress tests
  e. Day-to-day liquidity management
  f. Liquidity contingency planning
  g. Re-examination of, or increases in, the level of liquid assets
  h. Re-examination of transfer prices and in-house funding costs
  i. N.A.
  j. Other (please elaborate)

Fig. E-1-1: Responses to Question E-1-1



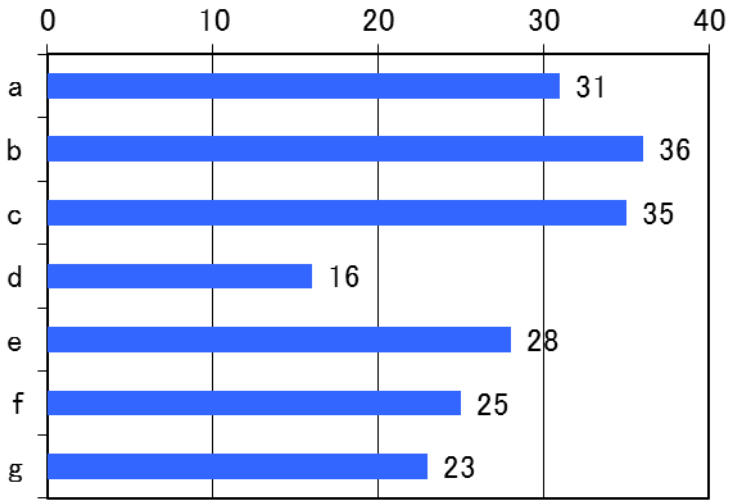
In response to a question regarding the area of developments, the responses were spread out, but the most common responses were “Senior Management teams’ involvement” (a.: 65); “Creation or improvement of contingency plans related to fluidity” (f.: 64; and “Implementation of fluidity stress tests, and improvements to test methods” (d.: 61).

E. Liquidity risk management
E-1-2. Obstacles for improvement

- This question is for those who responded with c (Not very many Japanese financial institutions have adopted a positive stance with regard to fluidity risk management) or d (Fewer Japanese financial institutions are adopting a positive stance) in question E-1 above. Why do you think this is the case?

  a. Lack of interest from senior management
  b. Data related to liquidity is not available
  c. IT Systems related to liquidity are not available
  d. It is difficult to introduce transfer prices and funding costs that are consistent throughout the company
  e. Liquidity risk management is itself difficult to begin with
  f. N.A.
  g. Other (please elaborate)

Fig. E-1-2: Responses to Question E-1-2



In response to a question about the reasons why some Japanese financial institutions have not succeeded to improve liquidity risk management, the answers were spread.

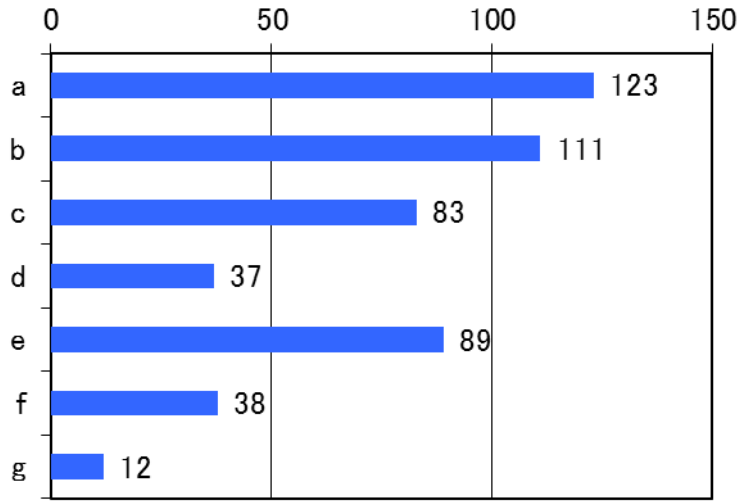
It is interesting to note that although comparatively few respondents raised technical difficulties, such as “It is difficult to introduce transfer prices and funding costs that are consistent throughout the company” (d.: 16). This suggests that this area does not present theoretical or technical difficulties, but practical difficulties.

E. Liquidity risk management
E-2. Directions to improve liquidity risk management

- What do you think is needed in order to promote the (further) improvement of fluidity risk management at Japanese financial institutions?

  a. Involvement and interest from senior management
  b. Preparation of data related to liquidity
  c. Introduction of liquidity management systems
  d. Introduction of regulations; e.g., obligation to maintain liquid asset buffers
  e. Mechanisms and frameworks for in-house transfer pricing and funding cost levying
  f. N.A.
  g. Other (please elaborate)

Fig. E-2: Responses to Question E-2



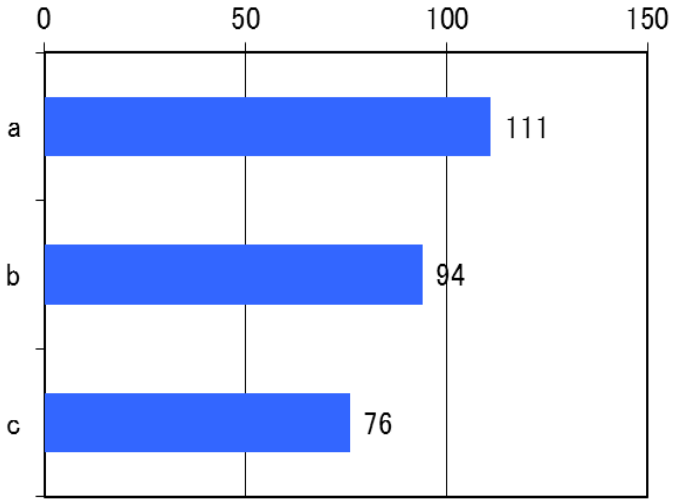
In response to a question regarding directions for improving fluidity risk management, two items had more than 100 responses (“Involvement and interest from management” (a.: 123) and “Preparation of data related to fluidity” (b.: 111)), bringing awareness of issues into bold relief. “Mechanisms and frameworks for in-house transfer pricing and funding cost levying” (e.: 89) and “Introduction of fluidity management systems” (c.: 83) also received a significant number of responses. Only a small number of respondents, however, expressed recognition of a need for the “Introduction of regulations; e.g., obligation to maintain fluidity assets” (d.: 37).

E. Liquidity risk management
E-3. Regulations related to liquidity risk management

- The Basel III has presented liquidity risk standards, such as liquid coverage ratio and net stable funding ratio. Do you think that such strengthened regulations would bring about an improvement in fluidity management?

  a. Strengthening regulations would help to reduce liquidity risks.
  b. Even if regulations were strengthened, liquidity risks would not diminish
  c. N.A.

Fig. E-3: Responses to Question E-3



When asked about the strengthening of regulations regarding liquidity risk, the opinions of the respondents were divided on the effectiveness of regulations: 111 answered a. “Strengthening regulations would help to reduce liquidity risk,” while 94 answered b. “Even if regulations were strengthened, liquidity risks would not diminish.”

TRMA

A) Risk Governance

B) Risk Appetite

C) Capital Management

D) Stress Testing

E) Liquidity Risk Management

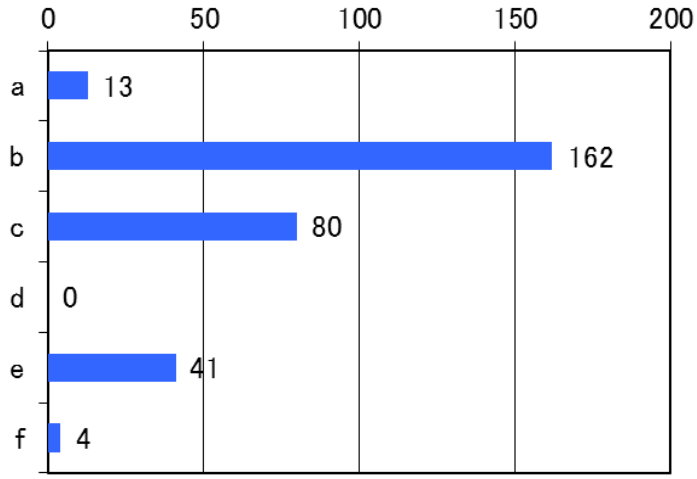
F) **Risk Data and IT Systems**

F. Risk data and systems
F-1. Preparing risk data

- Do you think that over the past two years, Japanese financial institutions have improved preparing risk data?

  a. Have improved significantly
  b. Have somewhat improved
  c. Have not improved
  d. Have deteriorated
  e. N.A.
  f. Other (please elaborate)

Fig. F-1: Responses to Question F-1



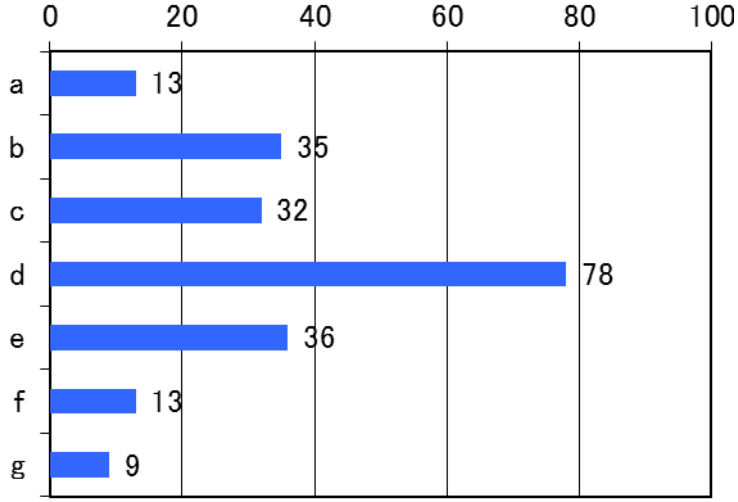
The largest segment of respondents replied that Japanese banks “have somewhat improved their risk data (b.: 162). This is more than twice the number of respondents who selected the second most frequent response, Japanese banks “have not improved” (c. 80). These results suggest that progress has been made in the preparation of data over the past two years.

F. Risk data and systems
F-1-1. Issues in preparing risk data

- This question is for those who responded with c (Have not improved) or d (Have deteriorated) in question F-1 above. Why do you think this is the case?

  a. Challenges are crystallized, for example, regarding the gathering of data on a consolidated base
  b. Data requests from regulators have become increasingly complex
  c. The business operations themselves have become more complex
  d. The data are stored on various systems scattered throughout the company
  e. The data are stored under many different names, making it difficult to gather the data using a uniform collation command
  f. N.A.
  g. Other (please elaborate)

Fig. F-1-1: Responses to Question F-1-1



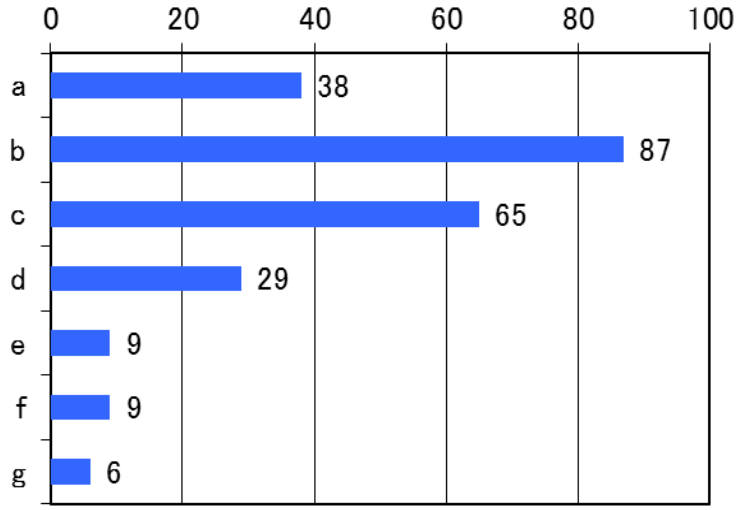
Almost all of these respondents selected as one of their replies “The data is stored on various systems scattered throughout the company, making it difficult to gather the data” (d.: 78).

F. Risk data and systems
F-1-2. Solutions to problems and issues in preparing risk data

- What do you think can be done to promote the preparation of data related to risk management at Japanese financial institutions?

  a. Involvement of senior management
  b. Invest appropriate resources (staff, facilities, money) into data preparation
  c. Put in place integrated databases
  d. Introduce regulations to make the preparation of data obligatory
  e. It is difficult to promote the preparation of data
  f. N.A.
  g. Other (please elaborate)

Fig. F-1-2: Responses to Question F-1-2



In a question regarding solutions to issues in the preparation of risk data, the most common response was “Invest appropriate resources (staff, facilities, money) into data preparation” (b.: 87), followed by “Put in place integrated databases” (c.: 65).