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# Abolition of Financial Inspection Manual: Supporting Corporate Revitalization

## *Looking ahead to the post-corona borrowing environment*

Financial and Capital Market Research Dept.  
**Junya Sakaguchi**

### Summary

- In December 2019, the Financial Inspection Manual, which stipulated methods for assessing loans and loan-loss provision of financial institutions, was abolished. Since then, financial institutions have been able to assess amount of loan-loss provision that reflects their business philosophies and strategies. Currently, although there have been no noticeable changes in their method of loan-loss provisioning due to responses taken to tackle the spread of COVID-19, it is expected that financial institutions will gradually decide on their own classification of debtors and loan-loss provision after crisis response has ceased.
- Since the abolition of the Financial Inspection Manual, the authorities conduct inspections in a way that respects loan-loss provisioning based on the characteristics of each financial institution. Discussion paper published by Financial Services Agency provides examples of loan-loss provisioning that take into account not only actual results but also a wide range of information and relationships with borrowers.
- These changes are expected to help support the revitalization of enterprises whose financial conditions have deteriorated as a result of the spread of COVID-19. With corporations actively sharing the direction of their management and their business outlooks with financial institutions, financial institutions can utilize their own assessment of clients' business potential. In this way, the reconstruction process of corporations will likely work more smoothly than in the past.

### Attention

This report is a summary translation. The official document is only in Japanese.