

December 26, 2013
Financial Services Agency

Administrative Actions against Mizuho Bank Co., Ltd. and Mizuho Financial Group, Inc.

Based on the results of the inspection of Mizuho Bank Co., Ltd and Mizuho Financial Group, Inc. conducted by the Financial Services Agency (hereinafter referred to as the “FSA”) and the reports submitted by Bank, the FSA today took the following administrative actions against Mizuho Bank Co., Ltd and Mizuho Financial Group, Inc. in order to ensure sound and appropriate business operations.

1. Description of the Administrative Actions

[Mizuho Bank](Article 26.1 of the Banking Act)

- (1) Suspend new credit-offering transactions in the quadripartite captive loan schemes from January 20, 2014(Mon) to February 19, 2014(Wed), and ensure thorough improvement of the schemes, for instance, through training for all executives and employees engaged in the schemes.
- (2) Implement the following in order to ensure sound and appropriate business operations.
 - a) Clarify where the management responsibility lies, taking into account the Administrative Action.
 - b) Strengthen the internal control system and the administrative control.
 - c) Modify, in collaboration with Mizuho Financial Group, Inc., the business improvement plan (submitted to the FSA on October 28, 2013), taking into account the following development and the Administrative Action, and implement the modified plan immediately.
- (3) Submit the business improvement plan mentioned in the above (2).b) by January 17, 2014(Fri).
- (4) Submit progress reports every month, starting at the end of January until the end of March, by the 15th day of the following month. Submit progress reports for every three-month period thereafter by the 15th day of the following month.

Within the progress report mentioned above, also report the progress on the implementation of the business improvement plan submitted due to the administrative action issued on September 27, 2013.

The abovementioned (3) and (4) should be submitted under the joint names of Mizuho Bank Co., Ltd. and Mizuho Financial Group, Inc.

[Mizuho Financial Group](Article 52-31.1 of the Banking Act)

- (1) Implement the following in order to ensure sound and appropriate business operations of the bank as a subsidiary of the bank holding company.
 - a) Clarify where management responsibility lies, taking into account the Administrative Action.

- b) Strengthen the internal system in order to implement appropriate administrative control over financial institutions under the holding company.
 - c) Modify, in collaboration with Mizuho Bank Co., Ltd., the business improvement plan (submitted to the FSA on October 28, 2013 by Mizuho Bank Co., Ltd), taking into account the following development and the Administrative Action, and implement the modified plan immediately.
- (2) Submit the business improvement plan mentioned in the above (1) by January 17, 2014(Fri).
 - (3) Submit progress reports every month, starting at the end of January until the end of March, by the 15th day of the following month. Submit progress reports for every three-month period thereafter by the 15th day of the following month.

The abovementioned (2) and (3) should be submitted under the joint names of Mizuho Financial Group, Inc and Mizuho Bank Co., Ltd.

2. Reasons for the Administrative Action

[Mizuho Bank]

Based on the results of the inspection (notification of inspection results: December 2013), the reports submitted under Article 24.1 of the Banking Act, and interviews, the following serious problems were found:

- (1) Even after recognizing a number of transactions with anti-social forces in December 2010, the directors and the president at the time did not take such concrete and clear steps to prevent the transactions with anti-social forces in captive loans as examination at the initiation of the transactions, resolution of the transactions with anti-social forces, or establishment of the timeframe of the action. These were left to the operating units (in this case, the compliance section). This was caused by the consideration of the Orient Corporation business and the recognition that the transactions regarding captive loans would be dissolved in a relatively short time.
- (2) The executive in charge of Individual Businesses, including captive loans, recognized that there could exist a considerable number of anti-social transactions in captive loans and that these problems had not been solved. However, he/she did not take proactive actions. For instance, he/she did not urge the Individual Businesses Unit and Loan Promotion/Development Unit in cooperation with the Compliance Unit to support/instruct Orient Corporation.
- (3) The executive in charge of the Business Management Unit and the Business Management Unit of the former Mizuho Corporate Bank., Ltd recognized that the coverage of the data on persons with undesirable characteristics held by Orient Corporation is extremely smaller than that of Mizuho and that transactions with anti-social forces had been found through ex-post examinations. However, they did not proactively instruct/manage the anti-social forces measures from the viewpoint of group management.
- (4) Since July 2011, thorough compliance of related laws and regulations has become critical for the maintenance of the reputation under the circumstances where social demand against anti-social forces has become stronger. However, the directors and the president at the time compelled the front sections to prioritize business promotion and did not foster a sense of ownership or a compliance-oriented mind with regard to the initiatives against the anti-social forces. In addition, they did not assign appropriate staff with expertise to the executive position on compliance and failed to observe the right-person-in-the-right-place principle.

Against this background, the executive in charge of compliance and the unit leader of the

compliance unit did not understand the business of captive loans, and failed to report the results of the ex-post examination to the compliance committee and to review the introduction of the initiation examination and the measures to dissolve relationships with anti-social forces.

- (5) Even after the notification of findings at the previous inspection and until the receipt of the Business Improvement Order (as of September 27), the management failed to recognize the importance of problems in captive loans. In addition, the management did not thoroughly investigate the fundamental problems, including the governance issues such as systematic handover of the problems and the negative effect of compartmentalized organization. As a result, the management did not promptly take fundamental improvement measures.
- (6) The management did not build an internal system to share the issues or cooperate among related sections and staff, failing to make use of the lessons to address the tendency toward compartmentalization (lack of cooperation and communication) learnt from the IT system failure in March 2011.
- (7) The meeting documents of the board are generally massive and are not so clear as to highlight the key issues for management decisions within the limited time of the meeting.

Similarly, the meeting documents of the compliance committee are generally massive and are not clear on important issues. In addition, the description of the minutes is too simple to allow investigation of the detailed discussions.

As pointed out above, the board did not hold substantive discussions or exercise its function as a group to deliberate the key issues. In addition, it did not take any measures to make the compliance committee, one of the management policy committees, function effectively.

- (8) The board failed to build a system to oversee the progress through the PDCA cycle and to systematically take over the issues recognized by the management so that they are not left out due to carelessness of the related executives/sections or to arbitrary judgment. As a result, the management issues on captive loans were not taken over as an organization.
- (9) During the previous inspection period and in the reports submitted on Article 24.1 of the Banking Act, the Bank incorrectly reported the facts on which the assumption of the administrative actions is based. Such reports were submitted based solely on the memory of a single person in charge and the Bank did not check meeting documents or contact other related staff. This implies the failure of an organizational initiative concerning the FSA inspections and supervisions.

[Mizuho Financial Group]

Based on the results of the inspection (notification of inspection results: December 2013), the reports submitted on Article 52-31.1 of the Banking Act, and interviews, the following serious problems were found:

- (1) Regarding the issues of anti-social forces that should be tackled by the whole group, the board did not share the information within the group companies and left the action to the discretion of the subsidiaries, despite the fact that the board recognized the issues, as related to the affiliation of Orient Corporation in May 2010.

As mentioned above, the board did not exercise appropriate group management functions as a holding company, failing to act upon the lessons learnt from the IT system failure in March 2011.

- (2) The board did not take measures to effectively function group governance in the operation of the council to deliberate key issues on group management. For example, the meeting documents of the board are generally massive and are not so clear as to highlight the key issues for management decisions within the limited time and to allow full discussions.

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