

Topics—Fulfilling our Policy Role

Establishment of Coordinating Organization

The General Co-ordinating Division has been designated as the organizational structure responsible for ensuring compliance through coordination of compliance-related matters. The Division has the tasks of planning and managing basic aspects of compliance. It is working closely with other divisions to develop a compliance structure for the Shoko Chukin Bank.

Specific Compliance Initiatives

- ◆ A compliance handbook has been published for use in educational activities for management and staff.
- ◆ Compliance Officers have been appointed in every branch, and liaison and reporting systems have been established between the General Co-ordinating Division, as the coordinating organization, and head office and branches.
- ◆ Group training programs and branch-level training programs have been established.

Appointment of Compliance Officers and Establishment of Checking System for Internal Rules

Compliance officers have been appointed in each head office division. When internal rules, which are essential for the performance of the Bank's operations, are created or amended, these people ensure that the rules comply with laws and regulations. They also compare the Bank's rules with accepted social norms. When necessary they seek advice from the relevant departments or outside experts and consult with the General Co-ordinating Division.

Compliance Inspections

Head office divisions and branches are required to conduct internal compliance audits. Compliance is also a priority item in operational inspections of head office divisions and branches by the Inspection Division, which is independent from other head office divisions.

Supplementary Government Subscription

On October 26, 2001, the Japanese Cabinet adopted the "Front-Loaded Reform Program." On December 21, 2001, the government provided the Shoko Chukin Bank with a supplementary capital subscription of ¥9.1 billion to fund emergency business stabilization loans, known as "safety-net loans."

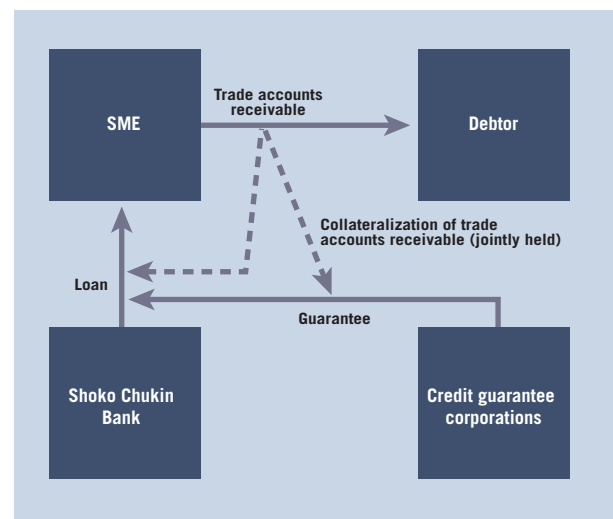
Support for Diversification of Fund Procurement

Trade Receivables—Secured Loan Program

This program was introduced in December 2001 as part of a package of emergency measures targeted toward SMEs affected by a harsh economic environment. It is expected to facilitate access to finance and contribute to the diversification of sources of finance by allowing SMEs to obtain loans from financial institutions without using real estate or other assets as security.

Features of the system:

1. Trade accounts receivable, which have not previously been used in financing in the past, can be used as collateral for loans.
2. The trade receivables used as collateral are held jointly by credit guarantee corporations and financial institutions.
3. Credit guarantee corporations provide 90% of the guarantees.



The Shoko Chukin Bank actively uses the system as a “pump-priming” mechanism for finance from private-sector financial institutions. It handled 118 applications worth ¥842 million over a three-month period in FY2001.

Support for Business Rehabilitation

Business Rehabilitation Loans (DIP Finance)

The Shoko Chukin Bank supports the rehabilitation of businesses that have economic and social value by providing loans to business owners who have applied for rehabilitation procedures under related laws, including the Civil Rehabilitation Law and the Company Rehabilitation Law, or to business owners who have taken over the operations of such companies. The system was established in July 2001 at the request of the Ministry of Economy, Trade and Industry and the Ministry of Finance. The Shoko Chukin Bank is working to use this system as a “pump-priming” mechanism for private sector finance. In FY2001, it handled eight applications worth approximately ¥1 billion.

Loans to Businesses in Rehabilitation

	Emergency Support Funds for Businesses in Rehabilitation/Stabilization Support Funds for Businesses in Rehabilitation (Note)
Eligible businesses	Businesses in rehabilitation that have loan transactions with the Shoko Chukin Bank at the time when applications were made under the Civil Rehabilitation Law or other laws
Use of funds, etc.	Short-term working capital secured by commercial bills or trade accounts payable
Conditions of loans	(1) Reasonable expectations of business recovery (2) Contribution to maintenance of regional economic and industrial vitality (3) Certainty of repayment

Note: Emergency Support Funds for Businesses in Rehabilitation are provided to businesses between the decision to initiate statutory reconstruction procedures and the approval of reconstruction plans. Stabilization Support Funds for Businesses in Rehabilitation are available to businesses between the approval of reconstruction plans and the completion of those plans.

Loans to Businesses that Take over Operations from Businesses in Rehabilitation

	Support Funds to Promote Business Rehabilitation
Eligible businesses	Businesses that have taken over operations from businesses in rehabilitation
Use of funds, etc.	Acquisition of facilities required for business operations
Conditions of loans	Contribution to maintenance of regional economic and industrial vitality

DIP Finance

DIP stands for “debtor in possession.” In the United States DIP finance is finance provided to companies that have filed for statutory rehabilitation procedures under federal bankruptcy law (businesses in rehabilitation). According to a report produced by a DIP study group established by the Small and Medium Enterprise Agency, loans provided to businesses that have taken over operations from businesses in rehabilitation can also be classed as DIP finance.