

CP-14-043		Comments Template on Consultation Paper on EIOPA Advice to the European Commission Equivalence assessment of the Japanese supervisory system in relation to Article 172 of the Solvency II Directive		Deadline 23 January 2015 23:59 CET
Name of Company:	Simmons & Simmons LLP			
Disclosure of comments:	Please indicate if your comments should be treated as confidential:			Public
<p>Please follow the following instructions for filling in the template:</p> <ul style="list-style-type: none"> ⇒ Do not change the numbering in the column "reference"; if you change numbering, your comment cannot be processed by our IT tool ⇒ Leave the last column <u>empty</u>. ⇒ Please fill in your comment/response in the relevant row. If you have <u>no response</u> to a question, keep the row <u>empty</u>. ⇒ Our IT tool does not allow processing of comments/responses which do not refer to the specific numbers below. <p>Please send the completed template, in Word Format, to CP-14-043@eiopa.europa.eu . Our IT tool does not allow processing of any other formats.</p> <p>The numbering of the questions refers to Consultation Paper on EIOPA Advice to the European Commission; Equivalence assessment of the Japanese supervisory system in relation to Article 172 of the Solvency II Directive</p>				
Reference	Comment			
General comments	Simmons & Simmons LLP appreciates the great amount of work that EIOPA has conducted over a number of years in respect of assessing the equivalence of the Japanese supervisory system in relation to article 172 of the Solvency II Directive. We note in particular the effort it has made to incorporate the comments it received in respect of the draft report of the consultation paper. Furthermore, we are grateful for this opportunity to comment on the updated consultation paper.			

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We have seen that comments were submitted on the draft report by a number of trade bodies (the Association of British Insurers (“ABI”), the General Insurance Association of Japan (“GIAJ”) and the Life Insurance Association of Japan (“LIAJ”)) and the Financial Services Agency, Japan (“JFSA”). It seems possible that these same bodies may be submitting their further comments on the updated consultation paper. We have therefore restricted our responses to the non-technical areas of the consultation paper which we understand to be of material concern to our clients.

Drafting observations

As the contents of the consultation paper relate to an analysis of the provisions of Japanese law , we believe it would of assistance if:

- (1) “controlling shareholder” is made a defined term to provide clarity that it is separate from the defined terms of “large shareholder” and “primary shareholder”;
- (2) references to “Primary shareholder” could be changed to “primary shareholder” (as defined in paragraph 61 of the consultation paper) – we have assumed these two terms have the same meaning as the terms appear to be used interchangeably; and
- (3) the additional drafting observations set out against row 32 regarding the use of the terms “company auditor”, “board of company auditors”, “accounting auditor” and “external auditor” could be put into effect.

Note re approach to method of providing responses

For ease of reading we have set out in full our comments relating to a particular area where it first appears in the consultation paper. For ease of reference, we have then repeated those comments against each subsequent sub-section where relevant.

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General notes

Please note that while we have been strongly influenced by discussions with our Japanese clients (including their feedback on our comments), the views set out in this document are those of Simmons & Simmons LLP alone, working in close association with TMI Associates.

Please further note that we are submitting these responses in support of the entities in the insurance and reinsurance industry (including those who do business with Japanese (re)insurance entities) which may be affected by the outcome of the European Commission's equivalence assessment of the Japanese supervisory system in relation to article 172 of the Solvency II Directive. We are not engaged by, nor being funded by, any third party in connection with our review of the consultation paper.

Materials reviewed (to the extent relevant to our clients' concerns)

- (1) Solvency II Directive (2009/138/EC) ("**SII**"), Recital 13, Article 18 and Article 172
- (2) Solvency II Delegated Regulation (C(2014) 7230 final) ("**Delegated Regulation**"), Article 378 which sets out the criteria for assessing third country equivalence in connection with Article 172 of SII
- (3) [Consultation Paper](#) on EIOPA Advice to the European Commission Equivalence assessment of the Japanese supervisory system in relation to article 172 of the Solvency II Directive (CP 14/043) – 19 December 2014 ("**Consultation Paper**")
- (4) [Summary of Comments](#) on Consultation Paper 05 EIOPA CP 11/05 CP No.5 Draft Report Japanese Equivalence - 10 October 2011 ("**Draft Report Comments Summary**")
- (5) [EIOPA Draft Report](#) - Equivalence assessment of the Japanese supervisory system in relation to article 172 of the Solvency II Directive [CP-05-11] ("**Draft Report**")
- (6) [The methodology](#) for equivalence assessments by CEIOPS under Solvency II - 12 November 2010 ("**Equivalence Methodology**")

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- (7) [The European Commission's request](#) for an equivalence assessment of Bermuda, Switzerland and Japan – 29 October 2010, in particular its statement that *“The Commission recognises the need to use indicators as a guide when considering whether criteria have been met and we understand that it is not CEIOPS intention for this to result in a “tick-box” approach. We would, therefore, like to urge CEIOPS to adhere to the overarching principle that equivalence should be a flexible process based on principles and objectives”* (**“EC Equivalence Guidance”**)
- (8) [CEIOPS' advice](#) for Level 2 implementing measures on Solvency II – technical criteria for assessing 3rd country equivalence in relation to art. 172, 227 and 260 – March 2010, we note that the methodology will be developed in Level 3 guidance which will be subject to consultation but as stated in the Equivalence Methodology (dated 12 November 2010) it was not anticipated that this would progressed until after the publication of the Delegated Regulation
- (9) [Corporate Disclosure in Japan Auditing](#) – published by the Japanese Institute of Certified Public Accountants (**“JICPA”**), July 2013 (Fifth Edition), (**“JICPA Overview of Auditing”**) with particular reference to:
- Auditing System (Summary) – Chapter 1, section 3
 - Legal and Regulatory Framework of the CPA Profession in Japan – Chapter I, section 5
 - Corporate governance structure – Chapter II, section 2 (iv) and (vi)
 - Oversight of statutory audits in Japan – Chapter IV
- (10) Japan Audit & Supervisory Board Members Association (formerly the Japan Corporate Auditors Association, **“JASBA”**) website, including document setting out the [Background and goals](#) to the new recommended English Translation for “Kansayaku” and “Kansayaku-kai” – Autumn, 2012 (**“JASBA Definition Guidance”**)
- (11) [Auditor Oversight Structure](#) in the section on the JFSA website relating to the Certified Public Accountants and Auditing Oversight Board (an independent regulatory body (council) established within the JFSA, **“CPA AOB”**).

We would be happy to further discuss our views as set out in this document if that would be of

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31.	<p>OVERALL COMMENTS RE THE CONDUCT OF INCIDENTAL NON-INSURANCE BUSINESS</p> <p>In response to JFSA’s feedback that the equivalent paragraph in the Draft Report be amended further to their views that the ability for insurance entities to carry out incidental non-insurance business did not significantly differ from the Solvency II regime, EIOPA stated in the Draft Report Comments Summary (row 5) that:</p> <ul style="list-style-type: none"> - the activities listed in what is now paragraph 115 “do not correspond to SII requirements for (re)insurance undertakings to limit their business to (re)insurance and related operations. SII Recital 13 presents <u>some</u> of the activities that are considered as related operations”; and - “Although we take note that JFSA prior authorisation is required, the principle embedded in SII framework aims at ensuring that policyholder protection is safeguarded by not allowing an insurer to engage in any other commercial business” <p>While Japan has a specific regulatory regime which is different from the Solvency II regime, its supervisory regime is not contradictory to the provisions of Article 18 of SII which provides that insurance undertakings must “limit their objects to the business of insurance and operations”</p>	

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	<p><u>arising directly therefrom, to the exclusion of other commercial business” and that reinsurance undertakings must “limit their objects to the business of reinsurance and related operations”.</u></p> <p>We regularly provide insurance regulatory advice in a number of jurisdictions and it is perhaps worth expressly highlighting that the subject of what constitutes authorised insurance business is not always clear-cut, including in EEA jurisdictions. Based on our experience and with reference to the Solvency II legislation alongside the guidance provided in the Equivalence Methodology and the EC Equivalence Guidance, we respectfully submit that there are grounds for taking a view that the JFSA is equivalent with regard to its authorisation of reinsurance business.</p> <p>We would therefore support amending paragraphs 31, 115, 118, 127 and 128 of the Consultation Paper as appropriate further to consideration of the above points.</p>	
32.	<p>OVERALL COMMENTS RE AUDITORS</p> <p>Although the accounting (including actuarial) functions and obligations of disclosure are different from those of the Solvency II regime, it would be appropriate to mention that the Japanese system of governance does not in fact differ greatly from that of the Solvency II regime.</p> <p><u>Drafting observations regarding the categories of auditors</u></p> <p>From the materials we have reviewed (and in particular the JICPA Overview of Auditing), it may be helpful to note the following:</p> <ul style="list-style-type: none"> - The “kansayaku” position in the corporate structure is usually referred to in the Consultation Paper as “company auditors” (and occasionally as “corporate auditors”). In accordance with the JASBA Definition Guidance and the terminology used in the JICPA Overview of Auditing it may be more helpful to translate “kansayaku” as “audit & supervisory board member”. The role of a “kansayaku” is to oversee the activity of the 	

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- directors as well as the accounting records of the company (Article 381(1) of the CA). This includes examining the external auditors' audit results.
- The "kansayakukai" is referred to in the Consultation Paper as the "(internal) Board of Company auditors". In accordance with the JASBA Definition Guidance and the terminology used in the JICPA Overview of Auditing it may be more helpful to translate "kansayakukai" as the "**audit & supervisory board**".
 - Insurers will also have an external auditor (which in the Consultation Paper is usually referred to as an "accounting auditor", although the JICPA Overview of Auditing consistently uses the term "**external auditor**"). An external auditor's scope of audit is limited to the accounting records. The external auditor will be required to inform the audit & supervisory board of any and all fraudulent and/or material illegal acts of directors identified in the course of an audit. Further to the provisions of the CPA Act, the external auditor must be a CPA or an audit firm. Note that CPAs are required to register with the JICPA which requires strict adherence to its Code of Ethics and that the JFSA oversees CPAs and the JICPA.
 - TMI Associates has advised that under Article 442 of the CA, the audit & supervisory board member's audit report is available to shareholders and creditors of a company. Therefore the CA allows the audit & supervisory board members to disclose violation of laws to such stakeholders.

Further to the notes above, EIOPA may wish to change the terms "company auditors" and "accounting auditors" in paragraph 32 and throughout the Consultation Paper to reflect the terminology recommended in the JASBA Definition Guidance and as used in the JICPA Overview of Auditing. Alternatively EIOPA may wish to cross-refer to relevant section of the Consultation Paper where it wishes to define those terms.

We would therefore support amending paragraphs 32, 132, 144, 154, 158, 163 and 164 as appropriate further to consideration of the above points.

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The legal and regulatory position regarding an insurer’s governance includes requirements for:

- “audit & supervisory board members” (kansayaku), and “audit & supervisory board” (kansayakukai), being personnel of the insurer who oversee the activity of the directors as well as the accounting records of the company [DRAFTING NOTE: in the Consultation Paper “kansayaku” is currently translated as “company auditors” and “corporate auditors” and “kansayakukai” is currently translated as the “(internal) board of company auditors”]
- “external auditors”, being a CPA or audit firm who is a third party independent of the insurer [DRAFTING NOTE: in the Consultation Paper “external auditor” is usually (but not always) referred to as the “accounting auditor”], and
- actuaries.

and that:

- the JFSA receives a copy of insurers’ actuary’s report relating to the verification of technical provisions, the distribution of dividends or surplus and that the business continues to operate in the light of the insurer’s reasonably-estimated profit and loss
- the JFSA holds Comprehensive Hearings twice a year with insurers which entails asking them about the activities of the audit & supervisory board (amongst other matters)
- further to the provisions of the CPA Act, the external auditor must be a CPA or an audit firm
- CPAs are registered with the Japanese Institute of Certified Public Accountants (“**JICPA**”) (and must adhere to its Code of Ethics) which is overseen by the JFSA
- Article 193-3 of the FIEA imposes reporting obligations on the accounting auditors to report any violation of laws, and TMI consider that this obligation overrides any duty of confidentiality owed to the company
- the company auditors have obligations under Article 442 of the CA owed to shareholders, policyholders and creditors and their audit reports are available to stakeholders thus

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	<p>providing disclosure (i.e violation of laws can be disclosed to stakeholders)</p> <ul style="list-style-type: none"> - the JFSA checks that the audit division properly oversees the status of improvements made following audit recommendations, and - under certain circumstances the external auditor will have a duty to report their opinions in respect of listed insurers to the JFSA. <p>See paragraphs 56, 132, 135, 136, 137, 144, 145, 147-149 and 154-157 for further details.</p> <p>There is scope for encouraging and facilitating further reporting to the supervisory authority by audit & supervisory board members and external auditors of non-listed insurers where problems are discovered or the performance of the insurer is deteriorating. However, this should be seen in the context of the above noted points.</p>	
33.	<p>OVERALL COMMENTS RE CATEGORIES OF SHAREHOLDERS AND THE JFSA'S MAINTENANCE OF A SOUND AND PRUDENT MANAGEMENT OF (RE)INSURERS</p> <p>In respect of the requirements around changes in business, management and qualifying holdings Japan's supervisory system appears to satisfy the relevant criteria set out in Article 378 of the Delegated Regulation being:</p> <p><i>Article 378(j): whether the solvency regime of that third country requires that proposed changes to the business policy or management of domestic insurance or reinsurance undertakings carrying out reinsurance activities, or to qualifying holdings in such undertakings, are <u>consistent with maintaining a sound and prudent management of those undertakings</u></i></p> <p>The Consultation Paper expresses reservations over the existence of a JFSA power which can be exercised only against primary shareholders holding 50% or more of the voting rights rather than any controlling shareholder, which may hold less than 50% of the shares (see paragraphs 33, 170 and 189). Although the Article 271-15 power (to order a primary shareholder with a holding of</p>	

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more than 50% to improve its business operation) does not apply to controlling shareholders with a less than 50% shareholding, this should be balanced against the adequacy of the practice of the Japanese supervisory system which as a whole is consistent with maintaining a sound and prudent management of (re)insurance undertakings.

This is evidenced by the following:

- (1) “primary shareholders” must be authorised by the JFSA – this category includes not just 20% holders of the voting rights but also those with 15% or more of the voting rights if they have significant influence over an insurer and will be subject to the same obligations as all other primary shareholders [see paragraph 61]
- (2) primary shareholders must meet a number of fitness and propriety requirements to be authorised. It is of particular note that these obligations are continuous [see paragraphs 167-169]
- (3) primary shareholders must immediately notify the JFSA of any changes to their participation in an insurer in respect of disposals [see paragraph 172]
- (4) the JFSA has powers to take action where it considers a change in the shareholding of any primary shareholder may have a negative impact on the soundness of the insurer and, ultimately, on the level of policyholder protection [see paragraph 63 and 166]
- (5) the JFSA has the specific power to:
 - a. revoke an authorisation granted to a primary shareholder which violates any laws/regulations or who commits an act that harms the public interest [see paragraph 61 and paragraph 168]
 - b. require a primary shareholder to submit reports or materials concerning the status of its business or property [see paragraph 61]
 - c. conduct an on-site inspection of a primary shareholder [see paragraph 61]
- (6) insurers are required to submit information on its top 10 shareholders twice a year, which allows the JFSA to check changes in participation [see paragraph 62]

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For these reasons, we do not believe that the noting in the Consultation Paper of the lack of an explicit assessment point for increases in shareholdings between 20% and 50% should be of concern to EIOPA in determining that the JFSA's equivalence with the Solvency II regime.

With particular reference to Article 378(j) of the Delegated Regulation, the Equivalence Methodology and the EC Equivalence Guidance, we believe there are grounds for the conclusion that the Japanese supervisory system is equivalent in relation to Principle 5 dealing with changes in business, management or qualifying holdings.

We would therefore support amending paragraphs 33, 61, 170, 189 and 190 of the Consultation Paper as appropriate further to consideration of the above points.

Drafting observations

Further to the comments in the "Drafting observations" under the General Comments section:

- if this paragraph continues to be the first reference to the term "primary shareholder", EIOPA may wish to define the term in this paragraph or cross-refer to the definition in section 61 of the Consultation Paper; and
- if this paragraph continues to be the first reference to the phrase "controlling shareholder", EIOPA may wish to define the term if it wishes to include such a definition to clarify that a "controlling shareholder" is separate from the defined terms of "large shareholder" and "primary shareholder".

Redrafting suggestion

In respect of paragraph 33, consideration could be given to amending the paragraph as suggested below to address the points set out above:

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We find the JFSA equivalent with regard to its requirements around changes in business, management and qualifying holdings. We have taken into consideration that:

- (i) in the context of all of the measures available to the JFSA against primary shareholders, there is not a significant difference between the Japanese supervisory regime with the operation of a risk-sensitive or risk-based supervisory system. We note that a “primary shareholder” includes those who directly or indirectly hold, together with other persons acting in concert, 20% or more of the voting rights in the insurer, and that an individual holding 15% or more of the voting rights accompanied with significant influence over an insurer is also a primary shareholder. Primary shareholders can therefore be viewed as equivalent to a controlling shareholder and it is only the Article 271-15 power which cannot be applied to every primary shareholder (only to those with a holding of over 50%). In this Consultation Paper “controlling shareholder” means any shareholder, including those with a shareholding of less than 50%, who might be deemed to exercise control over the company, such as in a listed insurer when a share holder holds e.g. 40% of the shares or voting rights and when the rest of the shares are scattered among the public). [DRAFTING NOTE: wording utilises EIOPA’s footnote against paragraph 170]; and*
- (ii) there is no explicit assessment point for increases in shareholdings between 20% and 50%, as in Solvency II, although the JFSA can intervene at any time where primary shareholders do not meet the provisions relevant to them in the IBA. In addition, this has been balanced against the adequacy of the practice of the Japanese supervisory system which as a whole is consistent with maintaining a sound and prudent management of (re)insurance undertakings (as evidenced by the information set out in paragraphs 61-63, 166-169 and 172 of this Consultation Paper) and that neither SII nor the Delegated Regulation provide for an explicit assessment point for increases in shareholdings between 20% and 50% as a criteria for equivalence. We further note that the Japanese law establishes licensing powers for the JFSA in relation to shareholder structure which allow it to control the fitness and propriety of shareholders with a qualifying holding (and that these obligations are continuous).*

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61.	<p>We believe that paragraph 61 should refer to the need to balance the qualifying holding's requirement against the general insurance corporate governance requirements on Japan.</p> <p>We note that although the Article 271-15 power is not applicable to every primary shareholder (even those who might still be a controlling shareholder), the Japanese supervisory system nonetheless satisfies the provisions of Article 368(j) of the Delegated Regulation by requiring that proposed changes to the business policy or management of domestic insurance or reinsurance undertakings carrying out reinsurance activities, or to qualifying holdings in such undertakings, are consistent with maintaining a sound and prudent management of those undertakings. In particular we note that the Japanese law establishes licensing powers for the JFSA in relation to shareholder structure which allow it to control the fitness and propriety of shareholders with a qualifying holding and further evidence of the satisfaction of the Delegated Regulation criteria is as set out in paragraphs 61-63, 166-169 and 172 of this Consultation Paper.</p>	
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115.	<p>We believe that the Japanese supervisory regime can be viewed as equivalent to the Solvency II regime. Please note that only one of the categories of incidental business listed in Article 98 of the</p>	

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	<p>IBA, being “<i>Representing the businesses of or carrying out services on behalf of other insurers</i>” is subject to express JFSA approval.</p> <p>[...]</p>	
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118.	<p>In our view paragraph 118 does not reflect that the Japanese supervisory regime can be viewed as equivalent to the Solvency II regime.</p> <p>Under Article 18 of SII, insurers are permitted to pursue non-insurance business provided they are “operations arising directly” from the business of insurance and reinsurers are permitted to pursue non-insurance business provided they are “related operations” to the business of reinsurance. There is no definitive list of what might constitute the incidental operations which are permissible-under Article 18. In the context of the provisions that allow the JFSA to monitor the conduct of incidental non-insurance business closely so that the possibility of carrying out both insurance and incidental non-insurance business in a single company presents a low potential risk for reinsurance cedants, the approach of the Japanese supervisory system is not inconsistent with the general principles embedded in the Solvency II regime.</p>	
119.		
120.	<p>The first bullet point should be amended to reflect that in respect of large shareholders a change report must be filed each time their ownership <u>increases</u> or <u>decreases</u> by 1%. The second bullet point should be amended to be consistent with the definition of primary shareholders in paragraph 61.</p> <p>We might suggest a possible redraft to pick these points up:</p>	

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	<p><i>Japanese law distinguishes between large and primary shareholders as follows:</i></p> <ul style="list-style-type: none"> • <i>Large shareholders are considered to be those natural or legal persons that directly or indirectly own 5% or more of the insurer. A large shareholder must notify the JFSA when it reaches the 5% threshold and also each time its ownership increases or decreases by 1%.</i> • <i>Primary shareholders directly or indirectly hold, together with other persons acting in concert, 20% or more of the voting rights of the insurer. An individual holding 15% or more of the voting rights accompanied with significant influence over an insurer is also a primary shareholder. This ownership threshold is subject to JFSA authorisation. Any natural or legal person intending to become a primary shareholder must meet a set of supervisory standards as follows: healthy financial condition, sufficient to enable it to support the insurer if needed; good reputation and understanding of the public nature of the insurance business; and sufficient proof that the applicant will not impair the sound management and proper business of the insurer it intends to acquire.</i> 	
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127.	<p>TMI Associates have advised that the last sentence in paragraph 127 (“<i>We note, however that the commencement of unsolicited business is subject to JFSA approval.</i>”) should relate to only one of the categories of incidental business listed in Article 98 of the IBA, being “<i>Representing the businesses of or carrying out services on behalf of other insurers</i>”).</p> <p>To address the above points, paragraph 127 could be redrafted as set out below:</p>	

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	<p><i>While we note that Japanese insurers are able to undertake non-insurance business, the supervisory system only allows them to pursue incidental business which is related to their operations. In the context of the provisions that allow the JFSA to monitor the conduct of incidental non-insurance business closely so that the possibility of carrying out both insurance and incidental non-insurance business in a single company presents a low potential risk for reinsurance cedants, the approach of the Japanese supervisory system is not inconsistent with the general principles embedded in the Solvency II regime. Furthermore, we note that express JFSA approval is required to conduct the incidental business which falls within the category of “Representing the businesses of or carrying out services on behalf of other insurers”.</i></p>	
128.	We believe that there are grounds for the conclusion that the Japanese supervisory system is equivalent under Principle 3 dealing with the taking up of business.	
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144.	This is confusing given the terms relating to the audit and supervisory board and the external auditors. Clarification would be helpful.	
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154.	This paragraph refers to external auditors.	
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163.	This should be seen in the context of the approach under the Japanese supervisory system placing an emphasis on both sets of auditors to report and notify their findings to the board of directors to enable them to take the appropriate action. In addition the JFSA checks that the audit division	

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	properly oversees the status of improvements made following audit recommendations. Lastly, this system is complemented by the roles and responsibilities of the appointed actuary and the external auditor.	
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167.	Further to the information in paragraph 170 the first bullet point should be amended to reflect that in respect of large shareholders a change report must be filed each time their ownership increases <u>or decreases</u> by 1%. The second bullet point should be amended to be consistent with the definition of primary shareholders in paragraph 61 by including the sentence “This also applies to those holding 15% or more of the voting rights with significant influence to an insurer.”	
168.	Please clarify references to “Primary shareholder” or “primary shareholder”.	
169.	Please clarify references to “Primary shareholder” or “primary shareholder”.	
170.	We note that a primary shareholder includes those who directly or indirectly hold, together with other persons acting in concert, 20% or more of the voting rights in the insurer, and that an individual holding 15% or more of the voting rights accompanied with significant influence over an insurer is also a primary shareholder. Primary shareholders can therefore be viewed as equivalent to a controlling shareholder under the Solvency II regime. It is only the Article 271-15 power which cannot be applied to every primary shareholder (only to those with a holding of over 50%). In the context of all of the other measures available to the JFSA, this is not a significant difference with the operation of a risk-sensitive or risk-based supervisory system.	
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188.	Further to the drafting observations against the general comments section we would suggest a review of the defined terms and change “Primary shareholder” to “primary shareholder”.	
189.	We note that the Japanese law establishes licensing powers for the JFSA in relation to shareholder structure which allow it to control the fitness and propriety of shareholders with a qualifying holding (and that these obligations are continuous). While there is no explicit assessment point for increases in shareholdings between 20% and 50%, as in Solvency II, the JFSA can intervene at any time where primary shareholders do not meet the provisions relevant to them in the IBA. In addition, this should be balanced against the adequacy of the practice of the Japanese supervisory system which as a whole is consistent with maintaining a sound and prudent management of (re)insurance undertakings (as evidenced by the information set out in paragraphs 61-3, 166-9	

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	and 172 of this Consultation Paper) and that neither SII nor the Delegated Regulation provide for an explicit assessment point for increases in shareholdings between 20% and 50% as a criteria for equivalence.	
190.	Further to our comments against paragraph 33, we believe that there are grounds for the conclusion that the Japanese supervisory system is equivalent in relation to Principle 5 dealing with changes in business, management or qualifying holdings.	
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