Statement by the Governor concerning the temporary nationalization of the Nippon Credit Bank

Bank of Japan
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(tentative translation)

December 13, 1998
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1. We have today been informed by the Nippon Credit Bank that the Prime Minister* has notified it of his decision to temporarily nationalize the bank pursuant to the "Law Concerning Emergency Measures for the Revitalization of the Functions of the Financial System" (hereafter the "Revitalization Law"). We have also been informed of this fact by the Government.

   * The Financial Revitalization Commission will be established on December 15 and will assume such responsibilities as financial crisis management under the Revitalization Law. The Prime Minister assumes the function of the Financial Revitalization Commission until the Commission is formally established.

2. In April last year, the Nippon Credit Bank announced a comprehensive restructuring package including capital enhancement through the issuance of preferred and common shares. In response to a strong request from the Government, the Bank of Japan agreed to use the money it had contributed earlier to the "New Financial Stabilization Fund"** to subscribe for the preferred shares; private financial institutions subscribed for the common shares and also preferred shares. Since then, the bank has endeavored to streamline and restructure its business with support from related parties. To our regret, according to the recent inspection conducted by the Financial Supervisory Agency, and against the background of a continuing deterioration in the economy, it was found that the bank would be insolvent as of the end of March this year. Consequently, the decision was made today to temporarily nationalize the bank.

   ** The New Financial Stabilization Fund was established in an effort to deal with the jusen problem. The Fund is intended to contribute to the stabilization of the Japanese financial system and to the restoration of confidence in the system.

3. In accordance with the Revitalization Law, the Deposit Insurance Corporation will temporarily acquire all shares of the Nippon Credit Bank and provide necessary support including the extension of loans, the purchase of assets, and the extension of grants to cover losses. Through these measures, the bank will continue operations as a "temporarily nationalized bank". Under this arrangement, all obligations of the bank, including deposits, debentures, interbank borrowings, and derivative transactions, will be performed smoothly.