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Introduction

Public disclosure by financial institutions has long provided information about business performance through the publication of financial statements. In recent years, however, a number of financial institutions have come to focus on disclosure of a wider range of information, including their management policies. This is partly attributable to the expansion of derivatives transactions, which has made risk management techniques increasingly important in the management of financial institutions, and which has thereby encouraged financial institutions to improve such techniques. Accordingly, individual financial institutions have been motivated to reveal voluntarily their risk exposures and risk management methods in order to win a favorable assessment from market participants. Disclosure thus brings into play a check mechanism inherent in financial markets (hereafter referred to as the market check mechanism) that disciplines management of financial institutions, and thereby helps to enhance the efficiency and transparency of the markets and to stabilize the financial system.

This report examines the disclosure of information on risks of financial institutions, with an overview of the current practices and future issues. It is intended to serve market participants, the beneficiaries of the information disclosed.