

Q&A on the Act on Utilization of Dormant Deposits (Revised on March 27, 2017)

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*For the latest information about the utilization of dormant deposits, see the website of the Office for the Utilization of Dormant Deposits.

<Office for the Use of Dormant Deposits, Cabinet Office>

URL: http://www5.cao.go.jp/kyumin_yokin/index.html

1. Scheme for Utilization of Dormant Deposits

Q 1-1. Why should dormant deposits be utilized for promoting Social Purpose Activities, instead of putting them in the national treasury?

A. This Act provides that even if dormant deposits are transferred to the Deposit Insurance Corporation of Japan, the depositors can always be repaid their deposits with interest from the financial institutions where their accounts are located.

In some countries, dormant deposits are transferred to the national or local governments' general accounts, while they are utilized for welfare projects and activities in other countries. In Japan, the amount of dormant deposits classified as unclaimed is about 70 billion yen every year (the average of FY2013 to FY2015) after the repaid amount is subtracted. Therefore, (1) in light of the public role of dormant deposits, (2) they should be used for preparing for the arrival of "rapid population decline and super-aging society."

Based on the following ideas, the Act provides that dormant deposits should be used for promoting "social purpose activities" while making every effort to repay them to the depositors:

- (1) As financial sources are personal assets in origin, the activities (*) should be expanded not by supplying funds to individuals mere spending on themselves, but by supporting continuous private-sector activities.
- (*) The term "social purpose activities" is defined as "public organizations' activities that contribute to the improvement of public interest and solve various social issues difficult for the national and local governments to address and that contribute to further promotion of the general public interest through the achievement of the activities" (Article 16(1) of the Act).
- (2) The utilization of dormant deposits is expected to solve social issues difficult to be addressed with conventional existing administrative methods and is expected to play a greater role in the future.
- (3) By comparison with the supply of funds to private companies and the amount of funds in the public sector, private organizations engaged in social purpose activities tend to suffer a significant lack of funding.

The utilization of dormant funds for social purpose activities is expected to increase its ripple effect on the whole society by producing effects equivalent to expanding private businesses through bank loans as well as efforts to improve public welfare.

[See Article 16.]

Q1-2. What kind of fields should dormant deposits be utilized?

A. Under the status quo, Japan will face various difficulties, such as the arrival of a "rapid population decline and super-aging society" and a lower quality of life. Therefore, it is imminently necessary to promote private-sector activities that contribute to the improvement of public interest and have a ripple effect on the whole society.

Therefore, dormant deposits will be utilized for such activities. Concretely, they will be utilized for the following three fields:

- (1) Activities related to support for children and young people
- (2) Activities related to support for people with difficulties in daily life and social life
- (3) Activities related to communities that face socially difficult situations, such as a decline in vitality

Q1-3. What methods should be adopted for utilizing dormant deposits?

A. Based on the discussions at the Council for Utilization of Dormant Deposits, the Prime Minister will formulate and publish the “Basic Policy” and the “Basic Plan” for the utilization of the funds from dormant deposits.

Then, the Designated Utilization Organization designated by the Prime Minister will prepare the “Operating Rules on Promotion of Social Purpose Activities” according to the “Basic Policy” and prepare the Business Plan and the Budget Statements for the current business year according to the “Basic Plan,” all of which should be submitted to the Prime Minister for authorization. In addition, the Designated Utilization Organization must publish the approved Business Plan.

The Designated Utilization Organization should select and appoint Funds Distribution Organizations through open recruitment according to the approved Business Plan, and the Funds Distribution Organizations appoint organizations carrying out Social Purpose Activities through open recruitment.

The Cabinet Office should supervise the Designated Utilization Organization, which in turn should supervise the Funds Distribution Organizations. Then, the Fund Distribution Organization should supervise the organizations carrying out Social Purpose Activities. Although the Designated Utilization Organization is a private-sector entity, it is responsible for carrying out projects to fully utilize originality and creativity in the private sector for public interest activities.

After implementation of the projects, the organizations carrying out Social Purpose Activities, the Funds Distribution Organizations, and the Designated Utilization Organization each should submit a business report to their direct supervisors. The Designated Utilization Organization should organize the project reports and submit the Business Report to the Cabinet Office, which should comprehensively evaluate the report after investigation at the Council for Utilization of Dormant Deposits.

[See Articles 18 to 20, Article 22, Article 23, Article 26.]

Q1-4. What roles should the Designated Utilization Organization and the Funds Distribution Organizations play? Why should this funding scheme consist of several steps?

A. The Designated Utilization Organization is an entity that carries out the project for utilizing the funds from dormant deposits and assumes the primary responsibility for supervising organizations carrying out Social Purpose Activities. The Prime Minister should appoint a single general incorporated foundation (an organization) that meets the standards as the Designated Utilization Organization, which enable the Cabinet Office, the supervisor of the DUO, to grasp the status for projects in an integrated way and clarify where accountability lies concerning the projects.

The funds from dormant deposits are used for activities for solving various social issues difficult for the national and local governments to address. As such issues vary among regions, it is difficult for only one organization to grasp the situation in each region accurately and distribute funds optimally while managing funds appropriately. Thus, by distributing the funds via intermediary organizations that are familiar with regional conditions with good track records appointed as Funds Distribution Organizations, it is supposed to be possible not only to give support according to the local issues but also to prevent inappropriate use of funds, give support to each organization carrying out Social Purpose Activities in

doing business while providing funds, and foster independent leaders for Social Purpose Activities.

Moreover, a Funds Distribution Organization should recruit, select, and supervise organizations carrying out Social Purpose Activities, which would avoid excessive organizational expansion of the DUO.

2. Basic Concept on the Utilization of Dormant Deposits

Q2-1. What does Article 16 (2) mean?

A. As social issues have become more complex and diversified, Social Purpose Activities are expected to play a greater role in solving various social issues that are difficult for the national and local governments to address. The funds from dormant deposits are expected to attract more funds from the private sector and develop the so-called social investment market.

On the other hand, because the Funds Distribution Organizations--which receive funds related to grants derived from dormant deposits--and the organizations that carry out Social Purpose Activities must not depend on the funds from dormant deposits, it should be noted that the methods of funding employed should be such that they enable organizations to independently raise more donations and business revenues for their activities and develop self-reliant leaders.

[See Article 16 (2).]

Q2-2. Isn't it necessary to hear opinions from a wide range of people concerned in various sectors and at all levels? How will local opinions be reflected?

A. Article 16 (3) of the Act on Utilization of Dormant Deposits defines a basic principle as follows: "When utilizing the funds from dormant deposits, it should be guaranteed that various opinions will be properly reflected and transparency of utilization of the funds should be ensured."

The utilization of the funds from dormant deposits must be based on the Basic Policy and the Basic Plan formulated through discussions at the Council for Utilization of Dormant Deposits. The Council should be required to fulfill the following conditions:

- Appoint experts from various fields as members of the Council.
- Ensure to hear opinions from a wide range of people concerned, such as the associate members of the Council who engage themselves in social purpose activities and local people in formulating the Basic Policy and Basic Plan.
- Make the progress of the discussions open to the public.

In addition, opportunities will be given for a wide range of people to state opinions during the process of establishing them. In these ways, various opinions will be appropriately reflected. Concrete procedures for opinion hearing will be discussed at the Council.

[See Article 16 (3).]

Q2-3. As a great amount of money will be distributed and it should be required to accomplish concrete outcomes, it is very important to build capacity of recipients. Will it take enough time for designing the system?

A. Regarding how to utilize the funds from dormant deposits, such as matters related to measurement of the outcomes of the projects will be specified in the Basic Policy and the Basic Plan that will be established

by the Prime Minister through deliberations at the Council for Utilization of Dormant Deposits. The first project is expected to start after about three years of the full enforcement of the Act. Meanwhile, the system will be designed through discussions at the Council and public comment process, while hearing opinions from a wide range of people concerned.

[See Article 18, Article 19.]

Q2-4. How should transparency be guaranteed?

A. Regarding the management of the system under this Act, guaranteeing transparency is the key. Transparency should be ensured by widely publishing the process of selecting Funds Distribution Organizations and organizations carrying out Social Purpose Activities (open recruitment), as well as the status of project implementation, while respecting the independence and autonomy of the Designated Utilization Organization and other private-sector organizations and making use of the originality and creativity of the private sector.

In utilizing the funds from dormant deposits, the Basic Policy and the Basic Plan should be established through discussions at the Council for Utilization of Dormant Deposits, which should also discuss how to guarantee the transparency. In addition, it is assumed that all the process of the discussions should be open to the general public.

[Article 16 (3) of the Act]

Q2-5. How will the outcomes of utilization of the funds be measured? Will measurement of the outcomes be required for all the implementation processes of the projects?

A. It is provided that the matters concerning the measurement of the outcomes of utilization of the funds should be specified in the Basic Policy and the Basic Plan established by the Prime Minister through discussions at the Council for Utilization of Dormant Deposits.

[See Article 18, Article 19.]

Q2-6. If pioneering projects are funded by the funds from dormant account, how should the outcomes be appropriately measured? Are there any reporting standards?

A. It is provided that the matters concerning the measurement of the outcomes of utilization of the funds should be specified in the Basic Policy and the Basic Plan established by the Prime Minister through discussions at the Council for Utilization of Dormant Deposits.

[See Article 18, Article 19.]

Q2-7. Should all the non-profit organizations and volunteer groups be required to carry out social impact assessments by this Act?

A. Generally, social impact measurement aims to fulfill accountability to investors (as a tool for communication) and attract further investments through the measurement and analysis of the “outcomes” (see Note) of the projects, such as “changes” in and “benefits” to society and the environment. It also aims to improve the projects and the organizational management through the implementation of measurement (learning and improvement). In particular, the former should be usually carried out upon request of investors.

The funds from dormant deposits are personal properties in origin. To utilize them, it is essential not only to guarantee transparency and appropriateness of the process but also to reveal social achievements and gain public credibility in the system.

In this context, the Act provides the following: (1) The Basic policy should specify “matters concerning the measurement of the outcomes of utilization of the funds from dormant deposits” (Article 18 (2) (vi) of the Act); and (2) The Basic Plan should specify “matters concerning the standards and publication of the measurement of the outcomes of utilization of the funds” (Article 19 (2) (iv) of the Act). The utilization of the funds from dormant deposits should be implemented on the assumption that social impact measurement is conducted.

Concrete measurement standards and methods should be specified through deliberations of the Basic Policy and the Basic Plan at the Council for Utilization of Dormant Deposits.

Social impact measurement is conducted in light of the visualization for social achievements not only by non-profit organizations but also by administrative agencies and profit-making organizations, such as business corporations, which does not mean that all organizations are required to carry out social impact measurement by this Act (Article 16 (5)).

It is desirable that social impact measurement should only be carried out on a voluntary basis by organizations that are eager to explain social achievements of their own activities.

(Note) For example, changes in beneficiaries’ awareness, changes in behavior, improvements in scholastic ability, finding a job, etc.

[See Article 16 (5), Article 18, Article 19.]

Q2-8. How will a system be designed to grasp needs agilely and flexibly in response to actual local conditions? s?

A. Unlike other conventional administrative measures, the projects utilizing the funds are innovative in that they aim to promote public interest activities while making use of originalities and creativities in the private sectors and solve various social problems facing Japan with the declining birth rate and aging population that are difficult for national and local governments to address.

In this sense, it is important to grasp actual conditions and needs agilely and flexibly, and to utilize funds from dormant deposits effectively. In establishing the Basic Policy and the Basic Plan, these objects as stated above should be well considered.

Q2-9. Is it enough to address social issues with three designated fields of “Social Purpose Activities”? Are the three fields of too narrow to address social issues?

A. The three fields for utilizing the funds from dormant deposits are selected in consideration of recent major social issues facing Japan, especially the worsening the economic circumstances and economic inequality for children and the youth. The following three fields have been designated in light of their expected great ripple effects on the whole society and their contributions to further improvement of benefits to the general public: support for children and young people; support for people with difficulties in daily life; and support for communities that face a decline in vitality.

If activities satisfy all the following conditions:

- lead to the solution of various social problems that are difficult for the national and local governments to address;

- contribute to promoting of public interest are private-sector public interest activities; and

- contribute to the promotion any of the following fields:

1) to help and support children and youth;

2) to assist personal, educational, and social development of people who are economically and educationally or socially disadvantaged and people with disabilities; and

3) to contribute to regional revitalization and to sustain provision of the minimum level of essential services in depopulated areas.

then they could correspond to “Social Purpose Activities” as provided in this Act, including many of existing activities that aim to contribute to the promotion of public interest .

On the other hand, the Act on Promotion of Specified Non-profit Activities lists 20 fields of specified non-profit activities by NPOs and the Act on Authorization of Public Interest Incorporated Associations and Public Interest Incorporated Foundations lists 23 types of businesses for public interest purposes, the Social Purpose Activities for which the funds from dormant deposits are supposed to be carried out by a wide range of entities, including NPOs, public corporations, social welfare corporations, educational institutions, and business corporations. Therefore, it cannot be said whether the range of fields are wide or narrow simply by the number of the fields listed in other laws.

Whether or not the activities meets legal requirements is judged from the actual details of each activity. After that, support recipients are selected through open recruitment after the utilization of the funds from dormant deposits started.

[See Article 17 (1).]

Q2-10. Are existing Social Purpose Activities eligible for funding?

A. If activities:

- lead to the solution of various social issues that are difficult for the central and local governments to cope with;

- are private-sector public interest activities; and

- give support to (1) to (3) below:

1) to help and support children and youth;

2) to assist personal, educational, and social development of people who are economically and educationally or socially disadvantaged and people with disabilities; and

3) to contribute to regional revitalization and to sustain provision of the minimum level of essential services in depopulated areas.

then they might be considered “Social Purpose Activities” as provided in this Act, including many of existing activities that aim to contribute to the promotion of the public interest .

Whether or not the activities meet legal requirements is judged from the actual details of each activity. After that, support recipients are selected through open recruitment, according to the basic principles of the Act.

[See Article 16, Article 17 (1).]

Q2-11. Are international NGOs' activities be eligible for funding?

A. According to the Act on Utilization of Dormant Deposits, dormant deposits should “be utilized for private-sector organizations’ activities that contribute to the promotion of the public interest to solve various social problems that are difficult for the national and local governments to address, and contribute to further promotion of the public interest through the accomplishment of achievements” in order to “contribute to the improvement of the stable life of our nation’s general public and the promotion of social welfare.” Therefore, support under the Act should not be given to international NGOs’ overseas activities, while it could be given to their domestic activities.

Whether or not the activities meet legal requirements is judged from the actual details of each activity, and that all support recipients are determined through open recruitment, according to the basic principles of the Act.

[See Article 1, Article 2, Article 16.]

Q2-12. Is it possible to use the funds for personnel and equipment expenses incurred for the implementation of this scheme by Funds Distribution Organizations and organizations carrying out social purpose activities?

A. Regarding concrete methods for distributing the funds, including what expenses should be covered, these will be determined for each contract between the FDOs and organizations carrying out Social Purpose Activities that should be selected through open recruitment, considering the fact that bringing out the private sector’s originality and creativity is one of the basic principles of the Act, as well as the Basic Policy, the Basic Plan and the Council’s deliberations.

Regarding whether the operating costs necessary for the FDOs’ provision of the funds to organizations carrying out Social Purpose Activities, it would be appropriate to design the system to cover such expenses to a certain extent. In the same token, regarding the extent to which the funds should cover the costs of personnel and equipment necessary for carrying out Social Purpose activities’ projects, it would also appropriate to design a flexible system to cover those expenses to a certain degree, provided that outcomes of the projects are fully explained.

In light of “fostering of independent leaders,” as specified in the Act, it must be ensured that all recipients should not rely on the funds from dormant deposits forever: (1) fix a certain period for support; and (2) design the system to encourage organizations carrying out Social Purpose Activities to be independent of the support after a certain period, such as by providing the funds matched with private funds instead of covering most of project expenses with the funds from dormant deposits.

Q2-13. Is it assumed that the funds will be also invested in social impact bonds (SIB)?

A. Article 16 (2) of the Act on Utilization of Dormant Deposits provides that “the funds from dormant deposits shall be used for contributing to fostering of independent leaders in Social Purpose Activities and supplying funds as a supplement to private organizations’ grants, loans, and equities, and thereby establish an environment where funds for Social Purpose Activities will be sufficiently raised for their activities.” Therefore, the “social impact bond” (SIB), which is one of several methods of social investments, might not be excluded for utilization of the funds, provided that some conditions such as the setting of strict outcome targets are fulfilled.

In that case, it is required that the essential conditions specified in the Act must be fulfilled: there should be private financial institutions as “main suppliers” of funds for SIB; and the funds are expected to be used for “supply of funds that supplement” private financial institutions’ grants, loans, equities.

Therefore, the following cases should be considered as inappropriate in light of the basic principles of the Act:

- (1) A large part of funds are supplied from the funds from dormant deposits without any prospects for funding from private financial institutions.
- (2) Rewards for outcomes that should originally be paid by the national and local governments are paid to private financial institutions by the funds from dormant deposits.

[See Article 16 (2).]

3. Designated Utilization Organization

Q3-1. Why is it necessary to establish the Designated Utilization Organization? What kind of organization will be designated?

A. The Designated Utilization Organization provides each Funds Distribution Organization with the funds from dormant deposits and is responsible for accountability for the projects conducted by organizations that carry out social purpose activities through the supervision of the Funds Distribution Organizations.

As the Designated Utilization Organization supports various projects that contribute to the solution of various social issues that are difficult for the national and local governments to address, it must maintain a neutral standpoint, which is difficult for an existing organization engaged in specific purpose activities, and have a robust framework for governance.

Unlike conventional administrative approaches, the projects for utilizing the funds from dormant deposits aim to solve various social problems that are caused by decreasing birthrates and an aging population and that are difficult for the national and local governments to address in a manner promoting public interest activities and fully utilizing the originality and creativity of the private sector. Those projects are innovative initiatives and will have a great influence on Japanese society in the future.

Based on the above concepts, the designated organization will be determined in the Basic Policy through the discussions at the Council for Utilization of Dormant Deposits. (Article 18 (2) of the Act)

*The Designated Utilization Organization is designated by the Prime Minister on the condition that it is a general incorporated foundation and has the accounting and technical basics necessary for its operations (Article 20 (1) of the Act).

*The Designated Utilization Organization supports various projects, deals with a large amount of money, and has to manage claims for loans.

Q3-2. Who will establish the Designated Utilization Organization, and who will become the members of the board of directors?

A. The Designated Utilization Organization is assumed to be a single general incorporated foundation designated by the Prime Minister, on the condition that it has a sufficient accounting and technical basis to appropriately formulate and implement the Business Plan for promoting Social Purpose Activities.

More concrete standards and procedures for the designation will be specified in the Basic Policy through the deliberations at the Council for Utilization of Dormant Deposits. Personnel affairs for the directors of the Designated Utilization Organization will take effect upon approval of the Prime Minister.

[See Article 18 (2), Article 20, Article 24.]

Q3-3. How much money will be invested out of the funds from dormant deposits? What will be the size of a project?

A. The estimated amount of dormant deposits to be generated and used and the targets of the utilization of the funds should be specified in the Basic Plan that is formulated by Prime Minister every fiscal year according to the discussions at the Council for Utilization of Dormant Deposits.

The amount of the funds to be utilized will be determined in the Designated Utilization Organization's Business Plan and the budget statement for the current business year according to the Basic Plan that was approved by the Prime Minister.

The size of a project will be determined in each contract between the Funds Distribution Organizations and organizations carrying out social purpose activities, both of which are selected through open recruitment, based on the principles and policies specified in the Basic Policy and the Basic Plan.

[See Article 19 (2), Article 26.]

4. Promotion of Social Purpose Activities

Q4-1. How will the projects be supervised?

A. The primary responsibility for supervision of the projects is assumed by the Designated Utilization Organization. Concretely, the Designated Utilization Organization should supervise the Funds Distribution Organizations in the following way (Funds Distribution Organizations should supervise in the same manner when they provide funds for the projects of organizations carrying out Social Purpose Activities):

- (1) Auditing every fiscal year and levying reports and conducting on-site inspections as needed
- (2) Having the Funds Distribution Organizations submit business reports
- (3) Having them refund money if they commit an injustice or out-of-purpose use [See Article 22.]

The Cabinet Office is responsible for the supervision of the Designated Utilization Organization.

Concretely, the Cabinet Office has the following supervisory powers:

- (1) Presenting the national policy of the utilization of the funds from dormant deposits through the establishment and publication of the Basic Policy and the Basic Plan
- (2) Approval of the Operating Rules, the Business Plan and the budget statements for the current business year prepared by the Designated Utilization Organization
- (3) Conducting of on-site inspection

- (4) Having the Designated Utilization Organization submit the Business Report and assessment of the business outcomes
- (5) Approval of appointment or dismissal of the member of the board of directors
- (6) Order to dismiss any member of the board of directors who violates a law or regulation, or engages in misconduct
- (7) Revocation of designation in case that the Designated Utilization Organization is not able to certainly as well as properly carry out business
- (8) Command orders necessary for supervision

[See Articles 18, 19, 23, 24, 26, 31, 33, 43, and 44.]

Q4-2. How will misappropriation and improper expenditures of the funds be treated?

A. It is legally required that the Designated Utilization Organization should carry out accounting for the promotion of Social Purpose Activities separately from that for the other affairs. The purpose of this provision is to prevent misappropriation of the funds from dormant deposits. By the same token, the Funds Distribution Organizations and organizations carrying out Social Purpose Activities are also required to keep separate accounting.

If a misappropriation or illegal use were to be found, a refund request for return of subsidies and other measures would be taken in accordance with the contract between the Designated Utilization Organization and a Funds Distribution Organization, or between a Funds Distribution Organization and an organization carrying out Social Purpose Activities.

[See Article 27.]

5. Funds Distribution Organizations

Q5-1. What kind of organization is supposed to be a Funds Distribution Organization? What selection standards and method have been adopted?

A. It is assumed that Funds Distribution Organizations should be existing intermediary organizations that are familiar with actual regional conditions and that have good track records, such as foundations that provide grants all over Japan, community foundations and civil funds that collect donations from local people and provide grants, and NPO banks that give loans based on funds from local people.

Funds Distribution Organizations are selected through open recruitment (Article 22 (5) of the Act). The standards for the selection will be specified in the “Operating Rules on Promotion of Social Purpose Activities” established by the Designated Utilization Organization (scheduled around the spring of 2019) and the “Basic Plan” established by the Prime Minister (scheduled around the summer of 2019) according to the Basic Policy. Examination for the establishment of the standards will be carried out based on full discussions at the Council for Utilization of Dormant Deposits.

*Community foundations, civil funds: Organizations that are managed mainly by local people, collect donations from local people and provide grants to activities to address various social issues (about 60 organizations all over Japan)

*NPO banks: Non-profit financial institutions that local people voluntarily found and give loans from their funds to meet social needs (about 20 organizations all over Japan)

Q5-2. Why should the funds be distributed through Funds Distribution Organizations?

A. The funds from dormant deposits are utilized for activities for addressing various social issues that are difficult for the national and local governments to address. Because such issues vary among regions, it is difficult for only one organization to grasp the situation in each region accurately and to provide the funds while managing them appropriately.

By providing the funds through intermediary organizations that are familiar with actual local conditions and that have good track records appointed as Funds Distribution Organizations, it is expected that the funds should be optimally distributed for solving local issues and used appropriately. In addition, along with the funding support, the FDOs are expected to contribute fostering independent leaders in each region by providing capacity building support to organizations carrying out Social Purpose Activities.

Moreover, a Funds Distribution Organization should recruit, select, and supervise organizations carrying out Social Purpose Activities, which would avoid excessive organizational expansion of the DUO.

[See Article 22.]

Q5-3. Is it possible for an Incorporated Administrative Agency to serve as a Funds Distribution Organization, or an organization carrying out social purpose activities?

A. Legally, an incorporated administrative institution is not excluded from applying to open recruitment of a Funds Distribution Organization or an organization carrying out Social Purpose Activities, and the standards for selection of Funds Distribution Organizations and Social Purpose Activities will be established in the Basic Plan or the Operating Rules on Promotion of Social Purpose Activities.

The incorporated administrative institutions were established under the system for the national government's affairs and businesses related to their policies to carry out "the administrative work and projects that must be surely implemented from a public perspective, such as the stable lives of the people and social economy," and "that are not necessarily implemented directly by the government itself" (Article 2 of the Act on General Rules for Incorporated Administrative Agencies).

On the other hand, because Social Purpose Activities are private-sector organizations' activities aiming to solve various social issues that are difficult for the central and local governments to cope with, it is difficult to assume that the incorporated administrative agencies, which carry out the processes and services related to the state policies, become organizations carrying out Social Purpose Activities.

In addition, regarding Social Purpose Activities, apart from a budgetary support framework based on taxes, it is desirable to promote the support of them mainly by private-sector organizations under a system for grasping needs agilely and flexibly according to actual local conditions. However, it seems necessary to carefully judge whether, under the restrictions imposed by the existing laws, regulations, and budget systems, the incorporated administrative agencies' selection and supervision of organizations carrying out Social Purpose Activities as Funds Distribution Organizations are appropriate for the system for carrying out activities for promoting Social Purpose Activities.

Q5-4. If a network specialized in a certain field is not a corporate entity, can it serve as a Funds Distribution Organization?

A. Funds Distribution Organizations are selected through open recruitment (Article 22 (5) of the Act). The

standards for the selection, which are to be specified in the “Rules on Promotion of Social Purpose Activities” established by the Designated Utilization Organization according to the Basic Policy and the “Basic Plan” established by the Prime Minister, will be examined based on full discussions at the Council for Utilization of Dormant Deposits.

[See Article 19 (2), Article 22 (5), Article 23 (2).]

Q5-5. How is a Funds Distribution Organization supposed to provide grants, loans, and equities differently?

A. Funds Distribution Organizations provide funding for organizations carrying out Social Purpose Activities through grants, loans, and equities. Which funding methods should be employed will be determined by Funds Distribution Organizations, taking into consideration the principles and policies specified in the Basic Policy and the Basic Plan through the discussions at the Council for Utilization of Dormant Deposits, as well as social issues to be primarily addressed and the social investment market condition.

6. Organizations That Carry Out Social Purpose Activities

Q6-1. What standards and methods are supposed to be adopted for selecting organizations carrying out social purpose activities?

A. Organizations that carry out Social Purpose Activities should be selected through open recruitment (Article 22 (5) of the Act). The standards for the selection, which will be specified in the “Operating Rules on Promotion of Social Purpose Activities” established by the Designated Utilization Organization according to the Basic Policy and the “Basic Plan” established by the Prime Minister, will be determined based on the discussions at the Council for Utilization of Dormant Deposits.

[See Article 19 (2), Article 22 (5), Article 23 (2).]

Q6-2. Can dormant deposits be utilized for business corporations that pursue profits?

A. Social Purpose Activities that lead to the solution of social issues difficult for the national and local governments to address are carried out not only by non-profit organizations but also by social entrepreneurs in the form of business corporations. This Act does not exclude the funds from dormant deposits from being utilized by for-profit organizations.

7. Council for Utilization of Dormant Deposits

Q7-1. Although it is provided by the Act that the number of members of the Council for Utilization of Dormant Deposits should be not more than ten, is it enough for grasping all various social issues facing Japan?

A. The Act designates the number of the Council member as not more than ten. If it is necessary to investigate a special matter, the Council is able to appoint associate council members. In establishing the Basic Policy and others concerning the utilization of dormant deposits at the Council, opinions will be obtained from a wide range of people concerned.

[See Article 36 (2).]

8. Government Publicity

Q8-1. Should greater effort be made for publicity so that more discussions will be evoked regarding dormant deposits among the general public, because dormant deposits should be essentially repaid to the account owners?

A. The Act on Utilization of Dormant Deposits provides that “The government should actively engage in public relation activity regarding the principles of this Act of utilizing the funds from dormant deposits to promote Social Purpose Activities while protecting the rights of the depositors and the matters related to procedure for repayment of dormant deposits, and make efforts to gain full understanding of the general public for the scheme.”

When utilizing the funds from dormant deposits, the Cabinet Office should establish the Basic Policy and the Basic Plan through the discussions at the Council for Utilization of Dormant Deposits. In the process of establishing them, the following conditions should be fulfilled:

- Hold discussions to establish the Basic Policy and others, hearing opinions from a wide range of people, such as the associate Council members with various expert knowledge and local people.
- Make the status of discussion open to the public.
- Have opportunities of hearing opinions from general public in the process of the establishment

These will make this scheme widely known among people, and discussions will be held so that many different public opinions will be appropriately reflected in the Basic Policy and the Basic Plan.

In addition, the Financial Services Agency will publicize the fact that the depositors can always claim for repayment even after dormant deposits are transferred to the Deposit Insurance Corporation of Japan, as well as the smooth repayment procedures.

[See Article 48.]

9. Schedule

Q9-1. When is the first project expected to begin? When will the first project for utilizing dormant deposits start?

A. The Act shall come into force within eighteen months after the promulgation, because it is necessary to enact Cabinet and ministerial orders and construct a new system between the Deposit Insurance Corporation of Japan and each financial institution for transferring dormant deposits (Article 1 (1) of the Supplementary Provisions to the Act).

In addition, under this Act, dormant deposits will generate after this Act comes into force without retroaction. Concretely, this Act is applicable to deposits in which nine years has passed since the date of final transfer after this Act comes into force. In other words, when one year has passed since this Act comes into force, there will be accounts classified as “dormant” that have not witnessed any transactions for over a period of ten years.

Given the above, it is expected to take about three years from the date of the promulgation of the Act to begin the project.