

# Functions and Operations of the Bank of Japan



Edited by  
Institute for Monetary and Economic Studies  
Bank of Japan

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(Notice)

This publication is the official translation of the revised Japanese edition of *Functions and Operations of the Bank of Japan*, published in March 2011. This is the second English edition. The Bank released the first English edition in January 2004.

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## **Preface to the Revised Japanese Edition of *Functions and Operations of the Bank of Japan***

The Institute for Monetary and Economic Studies (IMES) of the Bank of Japan published the first Japanese edition of this publication in 2000 in order to explain the functions and operations of the central bank. It was updated in 2004. The economic and financial environment has changed significantly since then, and it was recognized as being appropriate to produce a complete revision.

This revised edition attempts to provide a broader range of information concerning the Bank's functions and operations, so as to deepen the public's understanding of the Bank. We hope this publication will be of use to a wide variety of readers, including undergraduates studying finance, business people interested in financial and economic issues, and those who are interested in the Bank, to capture a real picture of the Bank.

The Bank is an organization established in order to ensure stability in prices and the financial system. This is to be achieved through the Bank's daily operations. Therefore, as in the previous edition, the revised edition focuses on explaining business operations conducted by the Bank in practice, to increase the public's understanding of the Bank's functions and operations. On the other hand, a major difference from the previous edition is that a more detailed explanation is included in the pages introducing the framework for the conduct of monetary policy and the Policy Board, the Bank's highest decision-making body. Moreover, considering the developments in the various payment and settlement systems over the last decade, the latest information on Japan's payment and settlement systems, including the issuance, circulation, and maintenance of Bank of Japan notes, as well as services related to treasury funds and Japanese government securities, is explained. Reflecting the changes in the financial and economic environment, the revised edition also provides broad explanations related to the Bank's initiatives for international cooperation, newly introduced operations, and measures to ensure the soundness of the financial system.

The original members of the bureau for the editorial meetings for the revised Japanese edition were Tatsuya Yonetani (currently the General Manager of the Hiroshima branch), Nobuhito Ochi, Youhei Hisada, and Takahide Habuchi, with the support of Tomoo Yoshida, Sho Kotaka, and Masato Shizume of the IMES, as well as the staff members of the relevant departments.

In order to encourage as many people as possible to understand the real picture of the Bank, it is essential to use the most plain language possible to provide, without bias, an explanation that is accurate, objective, and systematically organized. However, those requirements could not be easily met only by

the staff members of the IMES and the relevant departments within the Bank. Therefore, in bringing out the revised edition, the above-mentioned core staff members initially prepared a draft as a basis for discussions, and then thoroughly discussed it in editorial meetings (a total of eight sessions) attended by editorial committee members from inside and outside the Bank, and staff members of the IMES. In this way, the draft for this edition was thoroughly revised by following the same procedures as those used in publishing the previous edition.

In the editorial meetings, committee members enthusiastically took part in discussions to examine the appropriateness of the descriptions, their theoretical adequacy, consistency throughout the chapters, and the use of terminology. Without the support of the editorial committee members, who took great care in reading the draft and provided direct comments and suggestions, this revised edition would not have been completed. I would like to express my sincere gratitude to the members of the editorial committee by introducing their names below.

|                        |   |
|------------------------|---|
| Amamiya, Masayoshi     | Executive Director, Bank of Japan<br>(sixth to eighth sessions) |
| Fukuda, Shin-ichi      | Professor, Graduate School of<br>Economics, University of Tokyo |
| Nakaso, Hiroshi        | Executive Director, Bank of Japan<br>(first to fifth sessions)  |
| Nishimura, Kiyohiko G. | Deputy Governor, Bank of Japan                                  |
| Noda, Tadao            | Member of the Policy Board, Bank<br>of Japan                    |
| Suda, Miyako           | Member of the Policy Board, Bank<br>of Japan                    |
| Ueda, Kazuo            | Professor, Graduate School of<br>Economics, University of Tokyo |

\*Listed in alphabetical order of surname

Based on the comments and suggestions received from the editorial committee members, the core IMES staff members made great efforts to seek ways to balance accuracy and easy-to-follow explanations in the new edition. If any part remains for which further improvement is recommended, the blame lies with the core staff members, including myself.

At the conclusion of this preface, I would like to express my wish that this book will be of assistance in enhancing your understanding of the Bank. I would like to recommend anyone who has developed an interest, and who is willing

to know more about the Bank's business operations after reading through this revised edition, to refer to the Bank's website (<http://www.boj.or.jp>). Further details of the topics included in the text and the reports introduced at the end of this book are available on the website.

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