



# ANNUAL REVIEW 2008

BANK OF JAPAN



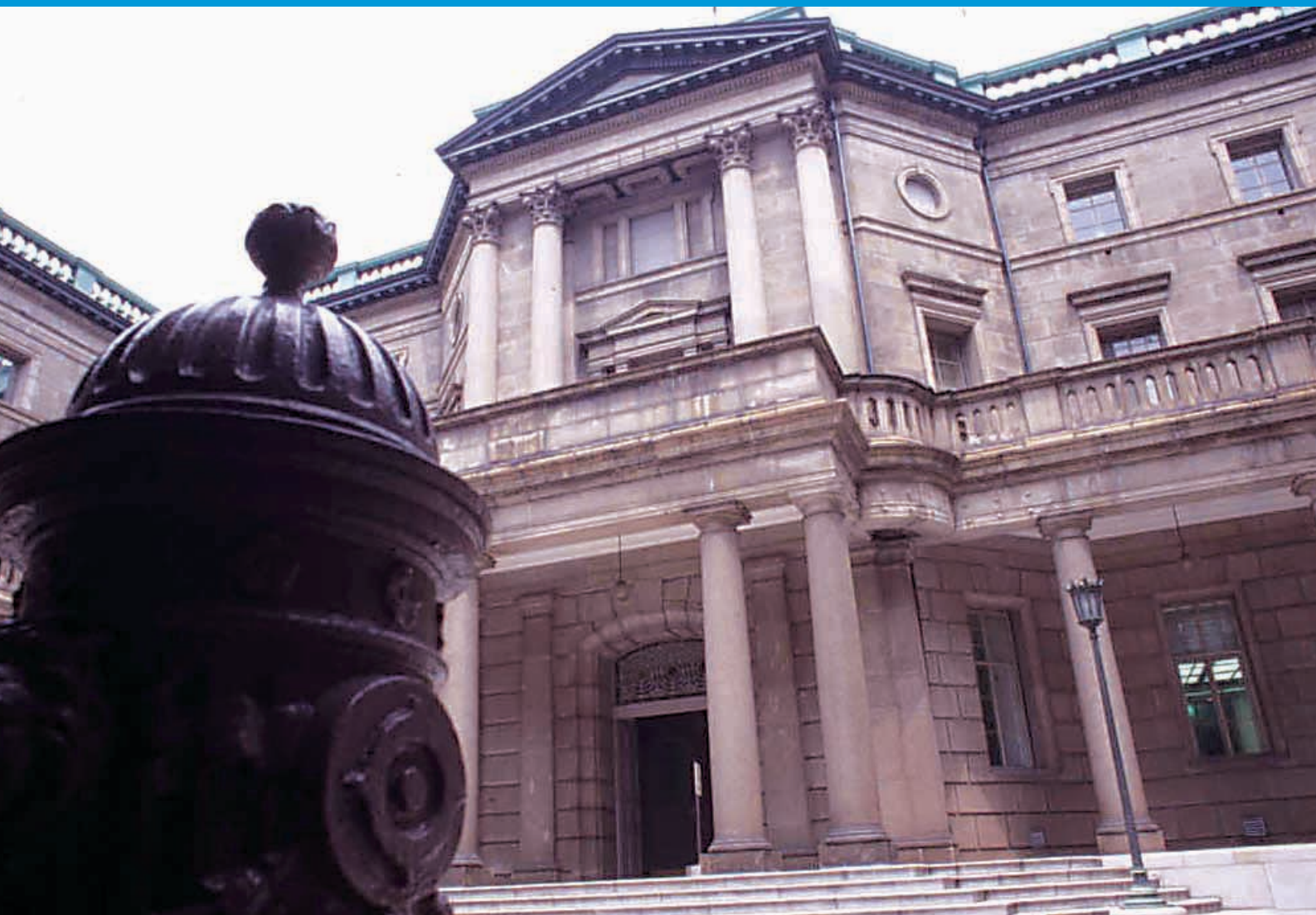


BANK OF JAPAN

# ANNUAL REVIEW 2008

Year Ended March 31, 2008

OUR POLICY AND OPERATIONS



# C O N T E N T S



<b>Foreword by the Governor</b> .....	<b>4</b>
<b>About the Bank of Japan</b> .....	<b>9</b>
I. Core Purposes .....	10
II. Capital .....	10
III. Bank Officers .....	10
IV. Organization .....	16
<b>The Bank's Business Operations</b> .....	<b>23</b>
I. Monetary Policy .....	24
II. Financial System Policy .....	24
III. Enhancement of Payment and Settlement Systems and Market Infrastructure .....	27
IV. Issuance, Circulation, and Maintenance of Banknotes .....	27
V. Services Relating to the Government .....	28
VI. International Operations .....	28
VII. Research and Statistics .....	29
VIII. External Relations .....	29
<b>The Bank's Progress toward Its Strategic Goals: Implementation of Action Plans in Fiscal 2007</b> .....	<b>31</b>
I. Introduction .....	32
II. The Implementation of the Action Plans for Fiscal 2007 .....	33
<b>The Bank's Organizational Management in Fiscal 2007</b> .....	<b>49</b>
I. Settlement of Accounts and Budget for Expenses .....	50
II. Information Technology Investment .....	50
III. Ceiling on the Number of Employees .....	50
IV. Organizational Management Measures Implemented in Fiscal 2007 .....	51
V. Internal Audits .....	53
<b>The Bank's Accounts</b> .....	<b>55</b>
I. Settlement of Accounts for Fiscal 2007 .....	56
II. Settlement of Accounts for Expenses for Fiscal 2007 .....	73
<b>Appendixes</b> .....	<b>77</b>
■ Appendix 1: Overview of Audits of the Bank of Japan .....	78
■ Appendix 2: Medium-Term Strategic Framework for Fiscal 2005–2009 .....	80
■ Appendix 3: The Bank of Japan's Action Plans for Fiscal 2008 .....	84
■ Appendix 4: Bank of Japan Act (Act No. 89 of June 18, 1997) .....	91



BANK OF JAPAN

# FOREWORD BY THE GOVERNOR





On April 9, 2008, the Cabinet appointed me Governor of the Bank of Japan. My appointment has taken place during a period of increasing uncertainty regarding the outlook for the global economy, with the deceleration of the U.S. economy, disruptions in international financial markets, and the heightening of inflationary pressure against the background of the surge in prices of international commodities such as crude oil. It is a tense time, but I am fully determined to contribute to the sound development of Japan's economy through the achievement of long-term price and economic stability, ensuring both that monetary policy is conducted based on the accurate assessment of economic conditions and that the Bank executes its central banking functions effectively.

In order to fulfill the two core purposes of the Bank, namely to maintain price stability and to ensure the stability of the financial system, the Bank conducts—in addition to monetary policy and financial system policy—various business operations, that is, it provides a whole range of central banking services in the following areas: payment and settlement systems and market infrastructure; the issuance, circulation, and maintenance of banknotes; treasury funds and Japanese government securities; transactions with the government; international operations; and research and statistics. The *Annual Review* is based on the Japanese original of the *Gyomu Gaikyo Sho* (Outline of Business Operations), which is prepared pursuant to Article 55 of the Bank of Japan Act. The Japanese original and the *Annual Review 2008* have been drawn up and released to enable readers to gain a better overall understanding of the Bank's business operations during fiscal 2007.

In fiscal 2005, the Bank released the "Medium-Term Strategic Framework for Fiscal 2005–2009" (MTSF), which laid out a five-year plan detailing issues to be addressed related to its business operations and organizational management, and announced that it would assess its progress every fiscal year. The MTSF stated two core principles, namely, "to pursue more advanced services" and "to ensure well-disciplined management," and identified major issues pursuant to these principles. Fiscal 2007 was the third year of the MTSF, and the Bank's progress in implementing measures to enhance its provision of central banking services was broadly according to schedule. The Bank also worked "to ensure well-disciplined management," by further raising the efficiency with which it uses management resources and intensifying efforts to execute its business operations with fairness and



precision. I hope that the *Annual Review* will help readers appreciate the Bank's efforts in these regards in fiscal 2007.

The format and style of the *Annual Review* have been revised for this issue, while the contents have also been updated to make them easier to follow. Chapters I and II describe the organization of the Bank and provide an overview of its business operations. In Chapters III and IV, the Bank's implementation of business operations and organizational management during fiscal 2007 are explained in relation to the Bank of Japan's Action Plans for Fiscal 2007, which detail the major issues faced by the Bank in fiscal 2007 as well as the action plans to tackle them. Lastly, Chapter V provides the Bank's settlement of accounts for fiscal 2007, reflecting the Bank's activities during the fiscal year.

We are pleased to present this new more accessible *Annual Review*, which we hope will reach a wider readership and facilitate understanding of the work that we do here at the Bank.



*Masaaki Shirakawa*

**Masaaki Shirakawa**

*Governor of the Bank of Japan*

