

# The Bank's Organizational Management in Fiscal 2007

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**I. Settlement of Accounts and Budget for Expenses**

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## I. SETTLEMENT OF ACCOUNTS AND BUDGET FOR EXPENSES

As for the Bank's expenses (limited to those specified by a Cabinet Order as not hampering the currency and monetary control) for fiscal 2007, the Bank improved efficiency in overall expenditure by, for example, promoting competitive procurement, while making, in line with the budget, the disbursements necessary to cover the "Medium-Term Strategic Framework for Fiscal

2005–2009" (MTSF).<sup>1</sup> The settlement of accounts for expenses for fiscal 2007 decreased by 0.9 percent (1.9 billion yen) to 214.6 billion yen from the previous fiscal year. Regarding the Bank's budget for expenses for fiscal 2008, the Bank has carefully examined overall expenditure to achieve a more streamlined budget while appropriating a significant portion to cover its MTSF.

## II. INFORMATION TECHNOLOGY INVESTMENT

The Bank steadily carried out system development projects necessary for implementing the action plans laid out in the MTSF, seeking to ensure that such projects were carried out as efficiently as possible. Specifically, the Bank proceeded to implement projects such as next-generation real-time gross settlement (RTGS-XG) as planned. The Bank worked to reduce

man-hours for each project by streamlining and devising efficient development plans. The scale of system development for fiscal 2007 was 10,395 person-months<sup>2</sup> (including outsourced man-hours of 7,513 person-months), slightly lower than had been anticipated at the beginning of the fiscal year.

## III. CEILING ON THE NUMBER OF EMPLOYEES

The Bank made progress in raising the efficiency of existing business operations and outsourcing, and maintained the number of employees necessary to fulfill the goals of its MTSF without breaking the ceiling on the number of full-time employees for fiscal 2007, which was set at 5,080. The number of full-time employees was 4,853 at the end of March 2008, down 59 from the previous fiscal year (Table 1).

Regarding remuneration, the Bank kept the levels of yearly remuneration for its officers unchanged in fiscal 2007. As for its employees, the Bank kept the levels of salaries unchanged in fiscal 2007 for the twelfth consecutive year, while increasing total bonuses for May and November 2007 by 4.1 percent from the previous year.

1. For the text of the MTSF, see Appendix 2 on pages 80–83.

2. In system development, one person-month is the workload equivalent of one person working for one month.

Table 1

**Number of Full-Time Employees as of the End of March 2008**

number of people; figures in parentheses are as of the end of March 2007

<b>Total</b>	<b>4,853 (4,912)</b>
Head Office <sup>1</sup>	2,710 (2,730)
Branches	2,070 (2,108)
Local offices <sup>1</sup>	49 (50)
Overseas representative offices	24 (24)

Note: 1. Full-time employees of the computer center and the banknote operations center, two of the 14 local offices, are included in the number of full-time employees at the Head Office.

**IV. ORGANIZATIONAL MANAGEMENT MEASURES IMPLEMENTED IN FISCAL 2007**

With the aim of ensuring well-disciplined management, and mindful of the issues detailed in the "Action Plans for Fiscal 2007," the Bank implemented the following specific measures.<sup>3</sup>

**Well-Disciplined Management**

**In fiscal 2007, the Bank will make further efforts to raise the efficiency with which it uses management resources, establishing a firm basis from which to implement the measures needed to achieve the eight strategic goals laid out in the MTSF. At the same time, the Bank will seek to ensure that it retains public confidence by raising officers' and employees'<sup>4</sup> awareness of their obligations to comply with requisite laws and regulations in performing their duties, and by executing operations with precision and stability.**

**1. Raising the efficiency of the Bank's use of management resources as follows:**

- a. Improving the flexibility with which it allocates human resources to reflect the contents of, and extent of progress in achieving, its action plans.
- b. Assessing the effects of the new organizational system, under which departments are divided by section,<sup>5</sup> the introduction of which was completed for all departments at the Bank's Head Office in July 2006. Also taking any measures necessary to improve the functioning of the system.
- c. Reinforcing strategic recruitment activities aimed at acquiring staff with diverse skills by, for example, initiating open recruitment of staff with experience and of fresh graduates from universities abroad.

(1) Through the examination and coordination of Bank-wide issues under the Management Committee, which met 24 times during fiscal 2007, the Bank adopted the Plan-Do-Check-Act (PDCA) process in its organizational management. The Bank also achieved a more flexible allocation of human

3. For the text of the "Action Plans for Fiscal 2008," see Appendix 3 on pages 84–90.

4. "Executives" and "staff" have been renamed "officers" and "employees" in accordance with the new English translation, prepared by the government of Japan, of the "Bank of Japan Act" (previously termed the "Bank of Japan Law"). The terms used in the Japanese original (Act No. 89 of June 18, 1997) remain unchanged. For the text of the new translation, see Appendix 4 on pages 91–106.

5. The section system was introduced to replace the division system so that organizational changes could be made more flexibly.

resources to deal with specific challenges faced.

- (2) The Bank conducted follow-up reviews of the section system, whose introduction to all departments at the Bank's Head Office was completed in fiscal 2006. However, assessment of the results and the question of possible improvements to the system will be addressed in fiscal 2008 and thereafter.
- (3) The Bank took measures to ensure better working conditions for employees, such as the introduction of flexible working hours and the revision of the maternity, childcare, and nursing care leave systems.
- (4) The Bank further clarified the qualifications needed for its employees. In addition, it continued to acquire staff with diverse skills through various recruitment channels, including those targeting new graduates from universities abroad and those targeting staff with experience.
- (5) The Bank acquired assets to strengthen its ability to function effectively, such as those necessary for the relocation of the Naha branch in December 2007 and the land for the relocation of the Kushiro branch in November 2007. At the same time, the Bank sold six pieces of real estate, totaling 8,342 square meters, for 1,516 million yen. The Bank also decided to sell, with the sale to be effected around fiscal 2010, an athletic ground in Shakujii (approximately 47,000 square meters in Nerima, Tokyo) to the Nerima local government, with whom it began to discuss the necessary details.

## **2. Ensuring the fairness of its business operations and organizational management by making sure that officers and employees are thoroughly aware of their obligations to comply with requisite laws and regulations in performing their duties.**

- (1) In order to ensure the fairness of the Bank's business operations, the Bank continued to work to

foster awareness of compliance-related issues among its officers and employees and to make sure that they would attend thoroughly to their obligations as stipulated in the requisite laws and regulations by organizing month-long campaigns and seminars on compliance. However, the fact that confidential information on some firms and individuals was leaked from the Bank indicated that there remained room for improvement in terms of achieving understanding of the rules for handling such materials.

- (2) The Bank formulated and made public its methods for selecting counterparties for procurement contracts. It continued to promote competitive procurement and worked to further reduce expenditure. It also started to release information about individual procurement contracts agreed in the previous fiscal year with the aim of improving transparency.

## **3. Striving to execute all operations with precision and stability as follows:**

- a. **Continuing to identify risks through measures such as the assessment of business processes, as well as to encourage the adoption of preemptive risk reduction measures. Continuing to take all necessary measures to ensure the stable operation of each information system by making efforts to maintain and improve quality at the stage of system development.**
- b. **Strengthening the operational and management procedures of the Bank's web site through, for example, improvement of information security measures.**
- c. **Ensuring that all operations are backed up by reliable practical knowledge, and executed with precision and stability.**

- (1) The Bank pushed forward with preemptive and systematic risk reduction measures, across the Bank as a whole, by identifying the risks involved in each of its operations through measures such as the assessment of business processes. In addition, the Bank raised the intensity of its quality management at the stage of system development. Given the fact that a system disruption occurring at the Bank of Japan Financial Network System (BOJ-NET) had a relatively wide impact on its users, the Bank worked toward preventing the recurrence of such incidents and improving its ability to address them.
- (2) The Bank improved information security measures

for its web site including those for detecting and preventing concentrated accessing with malicious intent. It also worked to strengthen the operational and management procedures used on its web site, which functioned stably throughout fiscal 2007.

- (3) In order to ensure that all operations are executed with precision and stability, the Bank continued to work to improve the quality of its operations, formulating and reviewing regulations and manuals, promoting information sharing, and raising the quality of employee training. Some operational errors, however, did take place, proving that there remained room for further improvement.

## V. INTERNAL AUDITS

The Internal Auditors' Office at the Bank conducts internal audits of the Bank's business operations at its Head Office, branches, and local offices in order to examine the appropriateness of its business operations and the adequacy of its operational risk management as well as the fairness with which its business operations are executed. The results of audits are reported to the Policy Board.

In fiscal 2007, the Internal Auditors' Office audited 5 departments and offices at its Head Office (the Secretariat of the Policy Board, the Payment and

Settlement Systems Department, the Research and Statistics Department, the Administration Department, and the Institute for Monetary and Economic Studies), 15 branches (Kushiro, Sapporo, Hakodate, Sendai, Fukushima, Niigata, Kofu, Kyoto, Osaka, Kobe, Shimonoseki, Kochi, Fukuoka, Kagoshima, and Naha), and 7 local offices (Mito, Obihiro, Asahikawa, Morioka, Yamagata, Saga, and Miyazaki). In addition, the Internal Auditors' Office carried out Bank-wide audits with a particular emphasis on the implementation of the new regulations regarding domestic business trip expenses.

