

The Bank's Organizational Management in Fiscal 2008

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I. SETTLEMENT OF ACCOUNTS AND BUDGET FOR EXPENSES

As for the Bank of Japan's expenses (limited to those specified by a Cabinet Order as not hampering the currency and monetary control) for fiscal 2008, the Bank improved efficiency in overall expenditure, while making, in line with the budget, the disbursements necessary to cover "The Bank of Japan's Medium-Term Strategic Framework for Fiscal 2005–2009" (MTSF).¹ The settlement of accounts for expenses for fiscal 2008

decreased by 0.2 percent (0.3 billion yen) to 214.3 billion yen from the previous fiscal year. Regarding the Bank's budget for expenses for fiscal 2009, the Bank has carefully examined overall expenditure to achieve a more streamlined budget while appropriating a significant portion to cover "The Bank of Japan's Strategic Priorities for Fiscal 2009–2011."²

II. IT INVESTMENT

The Bank steadily carried out the system development projects necessary to implement the action plans laid out in the MTSF, working to raise the efficiency and streamline the development of such projects. Specifically, the Bank made the system modifications necessary to implement the first phase of the next-generation real-time gross settlement (RTGS-XG) project of the Bank of Japan Financial Network System (BOJ-NET) Funds Transfer System, as well as to implement measures

enabling financial institutions to outsource to custodian institutions operations involved in transferring Japanese government securities (JGSs) pledged to/returned from the Bank as eligible collateral. The Bank also proceeded with deliberations on the construction of a new BOJ-NET. The scale of system development for fiscal 2008 was 9,608 person-months³ (including outsourced man-hours of 6,799 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 in outsourcing, and maintained the number of employees necessary to fulfill the goals of the MTSF without breaking the ceiling on the number of full-time employees for fiscal 2008, which was set at 5,030. The number of full-time employees was 4,766 at the end of March 2009, down 87 from

the previous fiscal year (Table 1). Regarding remuneration, the Bank kept the levels of yearly remuneration for its officers unchanged in fiscal 2008. As for its employees, the Bank kept the levels of salaries unchanged in fiscal 2008 for the 13th consecutive year, while increasing total bonuses for May and November 2008 by 3.9 percent from the previous year.

1. For the text of the MTSF, see Appendix 2 on pages 82–85.

2. For the text of "The Bank of Japan's Strategic Priorities for Fiscal 2009–2011," see Appendix 3 on pages 86–96.

3. 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 2009

number of people; figures in parentheses are as of the end of March 2008

Total	4,766 (4,853)
Head Office ¹	2,702 (2,710)
Branches	1,990 (2,070)
Local offices ¹	50 (49)
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 2008

The economic environment facing the Bank changed considerably after autumn 2008, with the effects of the global financial crisis on Japan's economy intensifying. In this situation, the Bank, while implementing the measures necessary to support Japan's economy, also worked to raise the efficiency with which it uses management resources; for example, low priority business operations were kept to a minimum or abolished, business processes were streamlined, and there was greater use of outsourcing.

With the aim of ensuring well-disciplined management, and mindful of the issues detailed in "The Bank of Japan's Action Plans for Fiscal 2008," the Bank implemented the following specific measures.

Well-Disciplined Management

The Bank will strengthen efforts to raise the efficiency with which it uses management resources by, for example, implementing work-life balance initiatives for the benefit of its employees, thus ensuring 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 intensify Bank-wide efforts to execute its business operations with fairness and precision.

1. Raising the efficiency of the Bank's use of management resources as follows.
 - a. Increasing productivity through operational restructuring and improving business processes, taking into account changes in the business environment.
 - b. Allocating human resources flexibly to reflect the contents of, and extent of progress in achieving, its action plans.
 - c. Acquiring employees with diverse skills. Enhancing employee training to keep up with the growing sophistication of business operations.
- (1) Given that over the past four years the Bank had achieved most of what had been anticipated in the MTSF, it was decided, taking into account changes in circumstances, that the MTSF should be wound up one year earlier than scheduled and replaced with "The Bank of Japan's Strategic Priorities for Fiscal 2009–2011."
- (2) The Bank, taking into account changes in the

business environment, made efforts to raise the efficiency and productivity of its business operations based on an assessment of its internal business processes. These efforts included keeping low priority business operations to a minimum, or where possible abolishing them completely, as well as streamlining business processes by, for example, making greater use of outsourcing.

- (3) It is likely that new business operations will become necessary in response to future changes in the environment surrounding the Bank. Given this possibility and the ongoing constraints on its human resources, the Bank needs to work to raise the efficiency with which it uses management resources through streamlining business processes, employing new technology, and promoting outsourcing.
- (4) Through the examination and coordination of Bank-wide issues under the Management Committee, which met 19 times during fiscal 2008, the Bank adopted the Plan-Do-Check-Act (PDCA) cycle in its organizational management. The Bank also achieved a more flexible allocation of human resources to deal with specific challenges faced. With a view to efficiently formulating the basic policies that should govern construction of a new BOJ-NET, the Bank, in October 2008, set up a "Task Force for New BOJ-NET Planning." The Bank is scheduled to release these policies around autumn 2009.
- (5) The Bank continued to acquire personnel with the diverse skills and qualifications it required, through various recruitment channels; these included targeting personnel with experience as well as targeting new graduates from universities abroad.
- (6) The Bank, in order to acquire and retain the personnel required to conduct its central banking operations in an advanced and integrated manner,

clarified its thinking on job rotation and employee training and carried out its human resource management accordingly.

- (7) The Bank sold two pieces of real estate, totaling 2,715 square meters, for 293 million yen. Regarding an athletic ground in Shakujii (approximately 47,000 square meters in Nerima, Tokyo) scheduled to be sold to the Nerima local government around fiscal 2010, the Bank continued to discuss the necessary details with the local government.

2. Enhancing work-life balance initiatives to support a healthier balance between work and private life for the Bank's employees, while ensuring the smooth running of the organization.

- (1) The Bank worked to ensure better working conditions for employees; for example, it encouraged employees at its Head Office to make use of flexible working hours arrangements introduced there in fiscal 2007, as well as extending such arrangements to some of its branches. In preparation for the *saiban-in* (lay judge) system introduced in May 2009, the Bank established jury duty leave, which granted paid leave to employees requested to serve jury duty.

3. Striving to execute all operations with fairness and precision as follows.

- a. **Ensuring the fairness of the Bank's business operations by making sure that officers and employees attend thoroughly to their obligations in terms of compliance with requisite laws and regulations.**
- b. **Identifying risks through measures such as the assessment of business processes, as well as reinforcing and implementing concrete measures for preemptive risk reduction.**
- c. **Continuing to ensure that all operations are**

**backed up by reliable practical knowledge,
and executed with precision and deliberation.**

- (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. The Bank also improved information security measures; for example, it installed software to prevent the unauthorized transfer of data, as well as formulating and reviewing various regulations.
- (2) The Bank improved procedures for selecting counterparties to real estate sales. It also specified matters to be discussed by the internal committee on procurement and disposal, as well as developing manuals particularly on the Bank's code of ethics with regard to procurement and disposal.
- (3) The Bank stepped up Bank-wide efforts to identify, through measures such as the assessment of business processes, the risks involved in each of its operations as well as to encourage the adoption of preemptive and systematic risk reduction measures. Making use of the findings obtained from initiatives

at the Head Office, efforts were extended to the Bank's branches and local offices. The Bank also continued its deliberations on how to make best use of insights gained from such initiatives when conducting internal audits.

- (4) Meanwhile, the Bank arranged for the existence of possible risks to be clearly identified in each proposal to be approved by the Policy Board, in order to ensure that Policy Board discussions were fully informed in this regard.
- (5) In order to ensure that all operations are backed up by reliable practical knowledge and executed with precision and deliberation, the Bank continued to work on improving the quality of its operations, formulating and reviewing regulations and manuals, promoting information sharing, and raising the quality of employee training.
- (6) Some operational errors did take place, however, including the postponement of auctions of JGSs for enhanced market liquidity due to system operation problems. The Bank will therefore take all necessary measures to ensure that business operations are executed smoothly, mainly by strengthening its operational risk management.

V. INTERNAL AUDITS

The Internal Auditors' Office at the Bank conducts internal audits of the Bank's business operations at its Head Office, branches, local offices, and overseas representative 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 2008, the Internal Auditors' Office audited 3 departments at its Head Office (the Currency Issue Department, the Public Relations Department, and the Personnel and Corporate Affairs Department), 5 overseas representative offices (London, Paris,

Frankfurt, Hong Kong, and Beijing), 16 branches (Aomori, Maebashi, Yokohama, Kanazawa, Matsumoto, Shizuoka, Nagoya, Okayama, Hiroshima, Matsue, Takamatsu, Matsuyama, Kitakyushu, Oita, Nagasaki, and Kumamoto), and 5 local offices (Toyama, Fukui,

Nagano, Tottori, and Tokushima). In addition, the Internal Auditors' Office carried out audits with a particular emphasis on information security, mainly at the Bank's branches and local offices.