

March 22, 2024

Bank of Japan

Medium-Term Strategic Plan (Fiscal 2024-2028)¹

I. Introduction

The Bank of Japan's *Medium-Term Strategic Plan (Fiscal 2024-2028)* sets the basic direction for the Bank's business operations and organizational management during the designated five-year period.

The plan's content will remain, in principle, fixed during fiscal 2024-2028, with a view to clarifying the Bank's objectives over the medium term and to ensuring proper assessment of its performance from an organizational perspective.

The Bank will conduct an interim review of the plan in or around fiscal 2026, in order to enable the Bank to address any changes in its external environment. It will flexibly revise the plan as appropriate in response to any significant changes.

II. The Bank's Organizational Core Principles

The Bank's organizational core principles constitute the set of fundamental values to be respected by the Bank, as the central bank of Japan. Those at the Bank must respect these core principles at all times in the conduct of business operations. The Bank will secure public confidence through the appropriate conduct of its policies and business operations in accordance with the organizational core principles listed below.

¹ With the designated period for the *Medium-Term Strategic Plan (Fiscal 2019-2023)* coming to an end in March 2024, the Bank formulated the present document for the five-year period starting April 2024.

Public Interest

The Bank shall promote the public interest by fulfilling the core purposes stipulated in the Bank of Japan Act.²

Transparency

The Bank shall demonstrate proper accountability in its policies and business operations via its various external relationships.

Excellence

The Bank shall pursue excellence in the provision of central banking services, responding appropriately to changes in its external environment.

Integrity

Every person at the Bank shall ensure integrity in the execution of their duties and adherence to high moral standards.

Effectiveness and Efficiency

The Bank shall make effective and efficient use of management resources in its conduct of business operations and organizational management.

III. Notable Environmental Changes and Organizational Principles

Advancing digitalization and a further increase in awareness of environmental, social, and governance (ESG) issues and the Sustainable Development Goals (SDGs), including climate change, have been evident since before the COVID-19 pandemic. The period since the pandemic has been notable in that globalization has plateaued and geopolitical risks have heightened. Meanwhile, the global economy has transitioned away from a low-inflation, low-interest rate environment. In Japan, structural social changes such as the declining and aging population have continued to substantially influence economic and financial activities. The

² The Bank of Japan Act determines the Bank's core purposes as follows: Article 1 stipulates that the Bank is required to issue banknotes, carry out currency and monetary control, and maintain the stability of the financial system, and Article 2 stipulates that the Bank conducts currency and monetary control, aiming at achieving price stability, thereby contributing to the sound development of the national economy.

effects of severe natural disasters have also been significant. With greater uncertainties and accelerated changes in its external environment, the Bank has faced broader and more complex challenges to its policies and business operations.

Based on the above understanding and in order to properly fulfill its missions, the Bank has set the following four organizational principles underpinning the plan.

Enhanced organizational capabilities to fulfill its missions

To fulfill its missions of achieving price stability and ensuring the stability of the financial system, the Bank will enhance its capabilities in policy making, research and analysis, central banking operations, and the underpinning organizational management.

Enhanced analytical capabilities for monitoring changes and clear and thorough communication

To conduct its policies and business operations appropriately, the Bank will improve its analytical capabilities to maintain an accurate grasp of changes in its external environment. It will also work to provide clear and thorough communication, as its policies and business operations affect a wide range of economic entities at home and abroad.

Stable and sophisticated central banking services suited to digital society (promote digital transformation)

The Bank will provide stable and sophisticated central banking services that are appropriate to today's digital society, while making effective use of digital technology to enhance its capabilities in central banking operations and its organizational management toward this end.

Fully mobilizing individual expertise by creating a work environment where all can be empowered in their work as central bank staff

The Bank will create a work environment where its staff can perform their duties with a sense of pride and motivation while retaining awareness of their responsibility to promote the public interest through the conduct of its policies and business operations. Such an environment will enable the Bank to fully mobilize the individual expertise of its staff.

IV. Strategic Objectives for Business Operations

The Bank will focus on the following strategic objectives for its business operations.

A. Plan and Formulate Policy Measures That Facilitate Monetary Policy Conduct

To achieve sustainable economic growth with price stability, the Bank will continue with a firm underpinning for the conduct of monetary policy while maintaining an accurate grasp of changes in its external environment, which are exhibiting greater uncertainties.

In this regard, the Bank will carry out apposite and timely research and analysis on economic and financial conditions at home and abroad and on market developments, by actively working to refine its analytical tools -- for example, by incorporating digital technology -- make use of statistical data, and accumulate and utilize qualitative information. It will also steadily pursue fundamental research so as to contribute to the appropriate conduct of monetary policy from a long-term perspective.

Furthermore, the Bank will plan and formulate monetary policy measures in an apposite and timely manner by continuously examining the efficacy and impact of its policies, while also taking into account the findings of the *Review of Monetary Policy from a Broad Perspective*. It will also put the necessary operational arrangements in place so that market operations are conducted properly.

B. Ensure the Stability and Improve the Functioning of the Financial System

To ensure the stability of the financial system, the Bank will maintain appropriate communication with financial institutions. To this end, it will enhance its data management and analysis capabilities in consideration of changes in its external environment, such as heightened uncertainties regarding economic and financial conditions and advances in digital technology. Furthermore, the Bank, through on-site examinations and off-site monitoring, will thoroughly assess business conditions and managerial issues at financial institutions that envisage increasingly complex business and operational arrangements and risk profiles. Moreover, with a view to the smooth functioning of financial intermediation, the Bank will share its knowledge and thoughts on managerial issues with financial institutions and provide support as they make necessary improvements.

In light of the effects of the above changes in its external environment on the financial system and the businesses of financial institutions, the Bank will continue to place importance on taking a macroprudential perspective in planning and formulating financial system policy measures. It will also appropriately plan, formulate, and execute business operations, such as determining financial institutions' eligibility to hold current accounts at the Bank and managing its lending facilities.

To ensure financial system stability, the Bank will stand ready to act effectively as the lender of last resort for individual financial institutions and financial markets, if necessary.

In addressing these objectives, the Bank will further strengthen cooperation with relevant parties at home and abroad. Moreover, taking into account information gained during this process, reports on financial system developments will be made appropriately at the Monetary Policy Meetings where the *Outlook for Economic Activity and Prices* is decided.

C. Enhance Payment and Settlement Services and Reinforce Market Infrastructures

To secure and strengthen the safety and efficiency of the overall payment and settlement systems in Japan, the Bank will conduct appropriate oversight of financial market infrastructures. In addition, the Bank, as the operator of the Bank of Japan Financial Network System (BOJ-NET), the core payment and settlement system, will make effective use of the BOJ-NET and take necessary actions toward international standardization of inter-firm remittance messages to realize smooth payment and settlement for cross-border transactions.

The Bank will continue to explore issues surrounding the technical feasibility and institutional implementation of Central Bank Digital Currency (CBDC), laying the groundwork for a public decision regarding its issuance in Japan. To this end, it will steadily promote its pilot program and cooperate as appropriate with stakeholders at home and abroad. The Bank will also contribute to international discussions on the topic of CBDC.

The Bank will conduct research and planning on and reinforcement of financial market infrastructures in close cooperation with market participants at home and abroad to facilitate proper market functioning amid a changing external environment.

In addressing these objectives, the Bank will maintain an accurate grasp of changes in its external environment and of trends in discussions and initiatives at home and abroad regarding factors such as digital technology that affect financial transactions, payment and settlement, and financial market infrastructures. Making use of the insights gained through such efforts, the Bank will play its due part as a central bank in contributing to the enhancement of payment and settlement systems in Japan, including the BOJ-NET, and to the reinforcement of market infrastructures.

D. Conduct Stable and Efficient Central Banking Operations

With respect to business operations relating to cash, the Bank will smoothly conduct the scheduled launch of a new series of Bank of Japan notes in 2024. It will also conduct business operations such as the receipt and payment of cash and the examination of banknotes and coins in a precise and stable manner, including the handling of returning banknotes after the new series is issued. In addition, the Bank will maintain an accurate grasp of trends in cash circulation and the private sector's cash handling, reflecting the increased use of cashless payments. Making use of the information gathered, the Bank will maintain and improve the stability and efficiency of the cash supply chain.

With regard to banking operations, the Bank will continue to implement daily operations accurately and stably, settling financial transactions involving current account deposits that financial institutions hold at the Bank, as well as conducting market operations. It will also appropriately conduct operations such as the management of its foreign currency assets, foreign exchange transactions, and business operations related to assisting other central banks and international organizations in their investment in yen.

The Bank will carry out a wide range of services relating to the government with precision, such as treasury funds and Japanese government securities (JGS) services and foreign exchange market interventions. At the same time, it will respond appropriately to the government's requests regarding the practical execution of such services.

The Bank will ensure the steady compilation of various statistics, including the updating of base years where necessary. It will also actively contribute to discussions at home and abroad regarding the development of statistics.

The Bank will do its utmost to ensure the stable conduct of its daily business operations in support of the aforementioned objectives, including the smooth functioning of crucial central bank systems such as the BOJ-NET.

In executing these business operations, the Bank will continuously assess the appropriateness of its operational and other frameworks, while taking due account of such factors as changes in workloads, advances in digital technology, and developments in the business environment of its counterparties.

In terms of business continuity, the Bank will maintain and enhance its emergency response capabilities through the effective use of its managerial and operational resources. To this end, it will take into account lessons learned from natural disasters to date and the government's reappraisal of potential damage scenarios for such events as earthquakes. It will also give consideration to the increasing severity of natural disasters, as well as to cyberattacks and the impact of infectious diseases.

E. Engage in International Initiatives in Response to a Changing Global Situation

The Bank's coordination and cooperation with overseas authorities have evolved to become increasingly sophisticated and complex across a wide range of fields in which central banks operate, including monetary and prudential policy, payment and settlement systems, and research and studies in these areas, as well as banking operations. Moreover, new international initiatives and discussions have had a greater impact on the conduct of central bank policies and operations.

As is appropriate in such a situation, the Bank, as the central bank of Japan, will play a leadership role at international discussions while working in close cooperation with relevant parties and market participants in Japan. It will also make use of the findings and insights gained through such efforts in conducting its own policies and business operations.

Furthermore, the Bank will play its due part in ensuring the stability of the international currency and financial system. It will promote further stabilization of the Asian region's currency and financial system by contributing to the development of financial safety nets within the region while facilitating stronger cooperation.

In implementing these initiatives, the Bank will effectively enhance cooperation with overseas authorities and international organizations.

F. Contribute to Regional Economic and Financial Environments

Making effective use of its Head Office, branches, and local offices to provide footholds for business operations in each region of the country, the Bank will contribute to regional economic and financial environments from its standpoint as the central bank. It will do so through the stable conduct of its business operations, maintaining a grasp of regional economic and financial conditions, and effective communication with the public.

Specifically, the Bank will ensure smooth cash circulation and provide services related to payment and settlement, as well as treasury funds and JGSs, appropriately. It will do its utmost to secure business continuity for these operations at times of natural disasters.

In addition, the Bank, by strengthening relationships with various entities, will gather information on the business conditions of local firms and financial institutions and maintain an accurate grasp of qualitative information as well as regional economic and financial conditions. It will make use of the information gathered in conducting its policies and business operations. At the same time, the Bank will provide each region with clear and thorough explanations of its policies and business operations at each point in time, along with their backgrounds.

G. Strengthen External Communication

To ensure broad public confidence, the Bank will strengthen communication with the public.

In this regard, the Bank, by maintaining and expanding its networks, will closely communicate with a wide range of entities, including financial institutions, market

participants, relevant domestic and foreign authorities, as well as academics, firms, and economic organizations.

Furthermore, the Bank will work to achieve multilevel communication, by improving information accessibility through effective use of various communication platforms such as its website and social networking sites. It will also enhance its services pertaining to in-house tours of its Head Office, branches, and other related facilities.

Through these efforts, the Bank will work to provide clear and thorough communication, explaining its conduct of policies and business operations appropriately.

In terms of efforts to promote financial literacy among the public, the Bank will smoothly transfer the functions of the Central Council for Financial Services Information to a new public organization for promoting financial and economic education; namely, the Japan Financial Literacy and Education Corporation (J-FLEC). It will also continue to contribute to the promotion of financial literacy via activities at its Head Office, branches, and local offices by appropriately cooperating with J-FLEC.

V. Strategic Objectives for Organizational Management

A. Organizational Management

The Bank will focus on the following strategic objectives for its organizational management, with all sections of its Head Office, branches, and local and overseas offices closely coordinating efforts to achieve them.

1. Reform business processes

The Bank will reform its business processes and continuously review and revise its business operations, in order to swiftly and flexibly respond to developments affecting the external environment for central bank policies and operations, as well as to changes in the demographics and working styles of its staff.

To this end, the Bank will raise the sophistication of its business operations, which include conducting efficient and stable business operations, improving its capabilities in research and

analysis, and enhancing its emergency response capabilities. It will do so through a radical review of its business processes and more active use of data while incorporating outside expertise and making effective use of digital technology.

The Bank will make necessary operational arrangements to promote the above initiatives cohesively and effectively.

2. Create a work environment where diverse talents flourish

The Bank will aim to secure and foster the human resources needed to properly perform its role as the central bank, taking account of such factors as changing trends in the economy and society and in people's working styles.

The Bank will foster a work environment where its staff can execute their duties with a sense of motivation and autonomy, by promoting the initiatives needed to facilitate career development and improve work-life balance. In addition, it will undertake strategic initiatives to secure and foster human resources with a high degree of expertise in various fields including research and information technology, as well as those with the capability to excel in international arenas. It will also work cohesively to further improve digital literacy among its staff.

Moreover, the Bank will further promote organizational diversity to ensure that every member of its staff is respected as an individual and able to realize their full potential. Specifically, it will expand the opportunities available to them, including female and elderly employees, and will actively hire people with disabilities.

In addressing these objectives, the Bank will place importance on increasing employee engagement and implement appropriate measures to this end.

3. Manage operational risks appropriately

In order to maintain public confidence, it is important for the Bank to continue to conduct all business operations with precision and deliberation, and to ensure that those at the Bank execute their duties with integrity.

To this end, the Bank will work cohesively to manage operational risks effectively, giving due consideration to changes in the demographics and working styles of its staff. It will also reduce operational risks and improve the efficiency of risk management through the active use and appropriate maintenance and management of digital technology, as well as through business process reforms.

Furthermore, the Bank will continue to ensure strict compliance with accepted social and ethical standards and to promote the appropriate management of information security, including cyber risk management.

B. Management Resources

1. Number of employees

In order to steadily carry out the strategic objectives stated in the plan, the Bank will work to secure the necessary employee numbers and to increase the efficiency of its overall business operations. The ceiling on the number of full-time employees for each fiscal year will be decided and made public based on this basic understanding.

2. Expense budget

In order to steadily carry out the strategic objectives stated in the plan, the Bank will work to secure the necessary budget and achieve more streamlined overall spending. The budget for each fiscal year will be decided and made public based on this basic understanding.

VI. Performance Reviews of the Plan

With a view to steadily carrying out the strategic objectives for business operations and organizational management stated in the plan and to reviewing and revising the allocation of management resources in an appropriate and timely manner, the Bank will conduct and make public performance reviews of measures taken under the plan every fiscal year. In addition, it will take into consideration, among other factors, its overall performance over the entire period of the current plan when deliberating on the formulation of the next medium-term strategic plan.