



Toward Innovative Payment and Settlement Systems

November 25, 2014

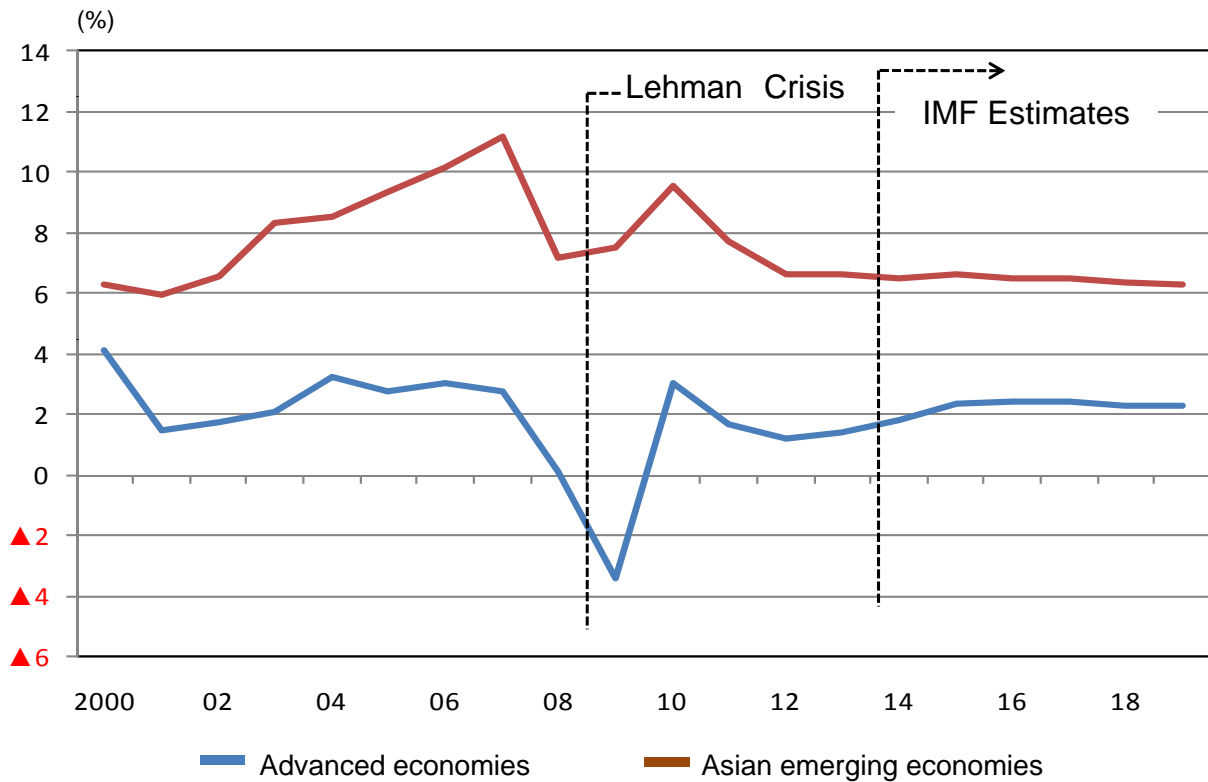
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Bank of Japan

1. Plan of Talk

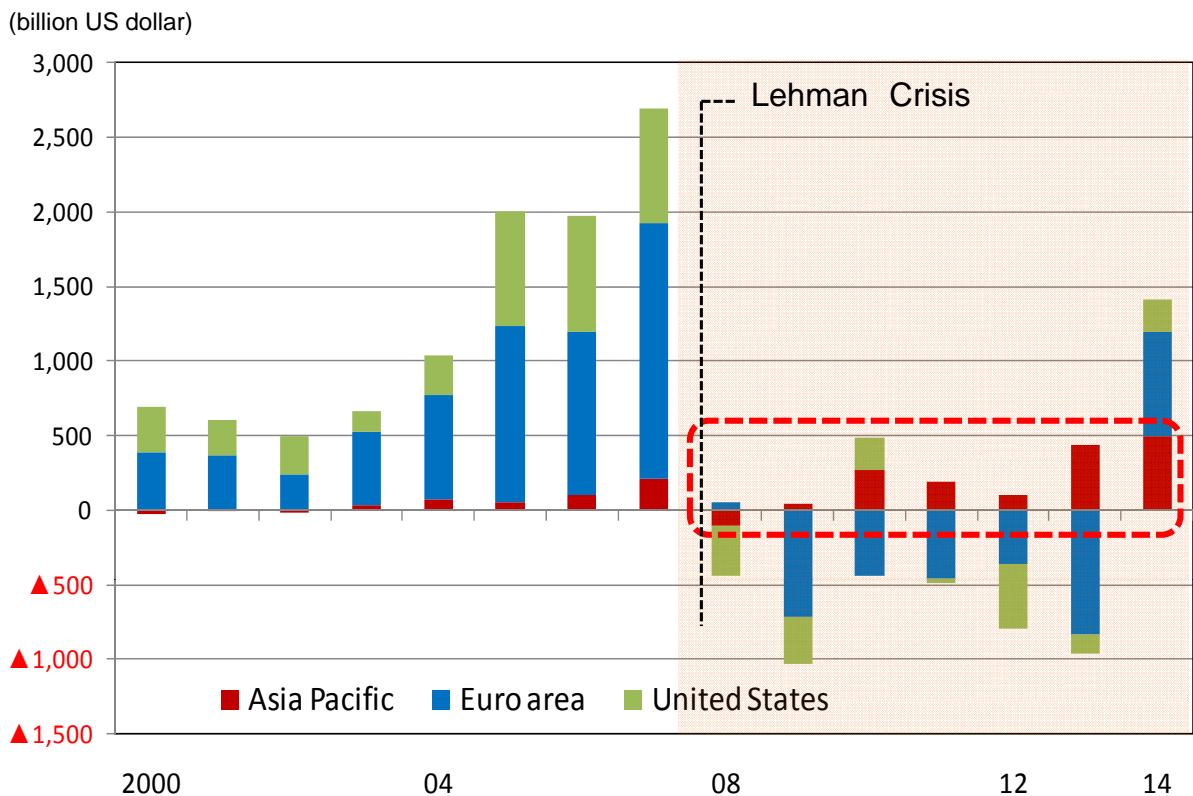
- 1. Where do we stand? What do we expect for the future?**
- 2. Major Payment and Settlement Initiatives in Japan**
 - Cross-border Collateral Arrangements
 - T+1 Project for JGB Settlement
 - Possible Cross-Border Expansion of the Japanese Yen and JGBs
 - Improvement in Retail Payment Services
- 3. Japan's Economy and Monetary Policy**
- 4. Conclusion**

2. Economic Growth in Advanced Economies and Asia



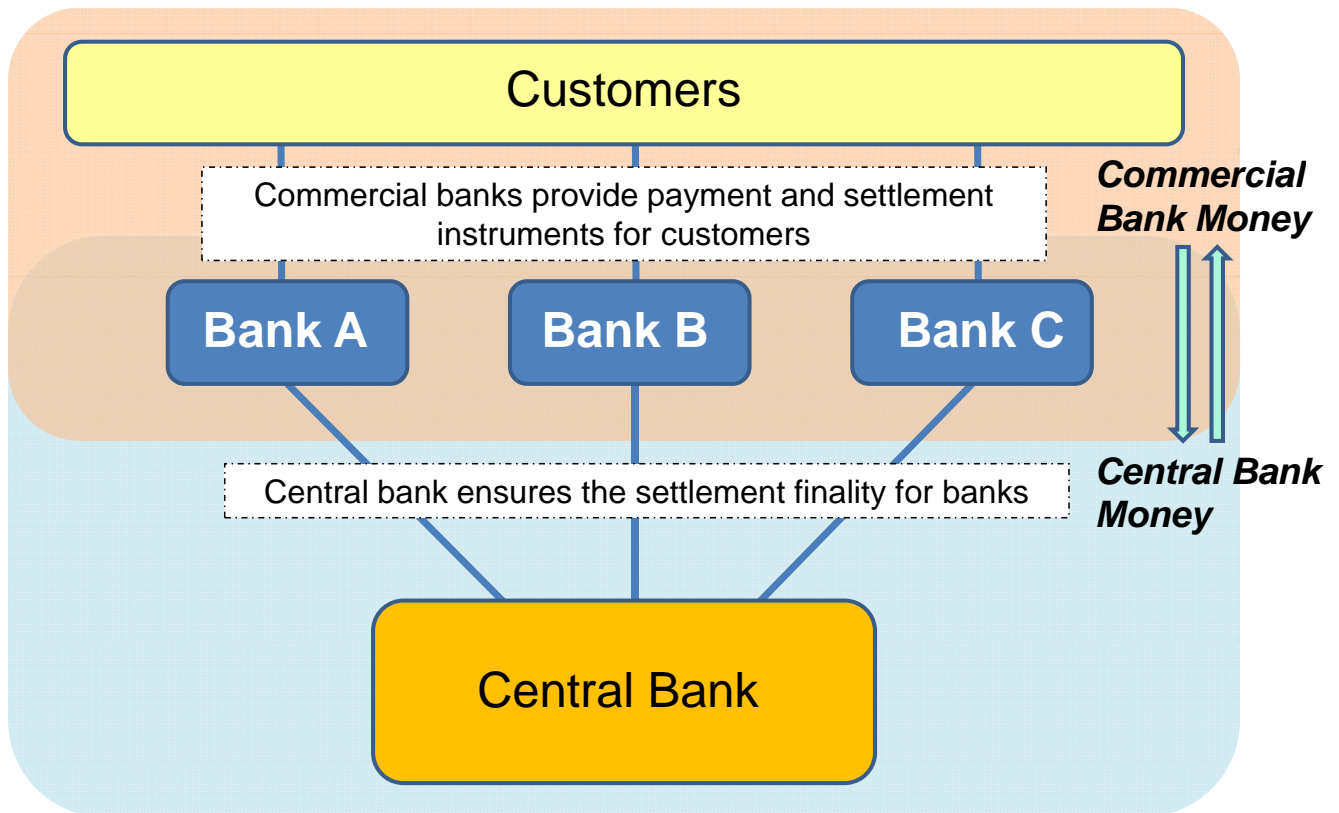
Note: Figures from 2014 are estimates by the IMF staff.
Source: IMF World Economic Outlook (April 2014 Database).

3. Capital Flow to Three Economic Areas



Source: Bank for International Settlements.

4. Settlement Finality and Payment Structure -- Chain from Central Bank to Customers



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5. Usage of Payment Instruments: Non-banks vs Banks

Annual Settlement Amount (JPY 100 millions)						(annual rate) % changes	
		Year		Year			
Credit Cards	347,695	2006	→	443,188	2009		+8.3%
Electronic Money	5,636	2007		17,334	2010		+45.4%
Debit Cards	8,014	2005		6,419	2010		-4.3%
Zengin System	23,397,111	2005		24,792,167	2010		+1.0%

Annual Settlement Volume (Millions)						(annual rate) % changes	
		Year		Year			
Credit Cards	4,548	2006	→	8,133	2009		+30.6%
Electronic Money	810	2007		2,000	2010		+35.2%
Debit Cards	12	2005		13	2010		+2.7%
Zengin System	1,315	2005		1,380	2010		+1.2%

Notes: 1. The annual settlement volumes of credit cards are estimated by the Bank of Japan based on the survey by the Japan Consumer Credit Association.

2. Figures for electronic money are on a fiscal year basis and other figures are on a calendar year basis.

Sources: Japan Consumer Credit Association; Japan Debit Card Promotion Association; Japanese Bankers Association; Bank of Japan.

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6. Major Payment and Settlement Initiatives in Japan

Cross-border Collateral Arrangements

T+1 Project for the JGB Settlement

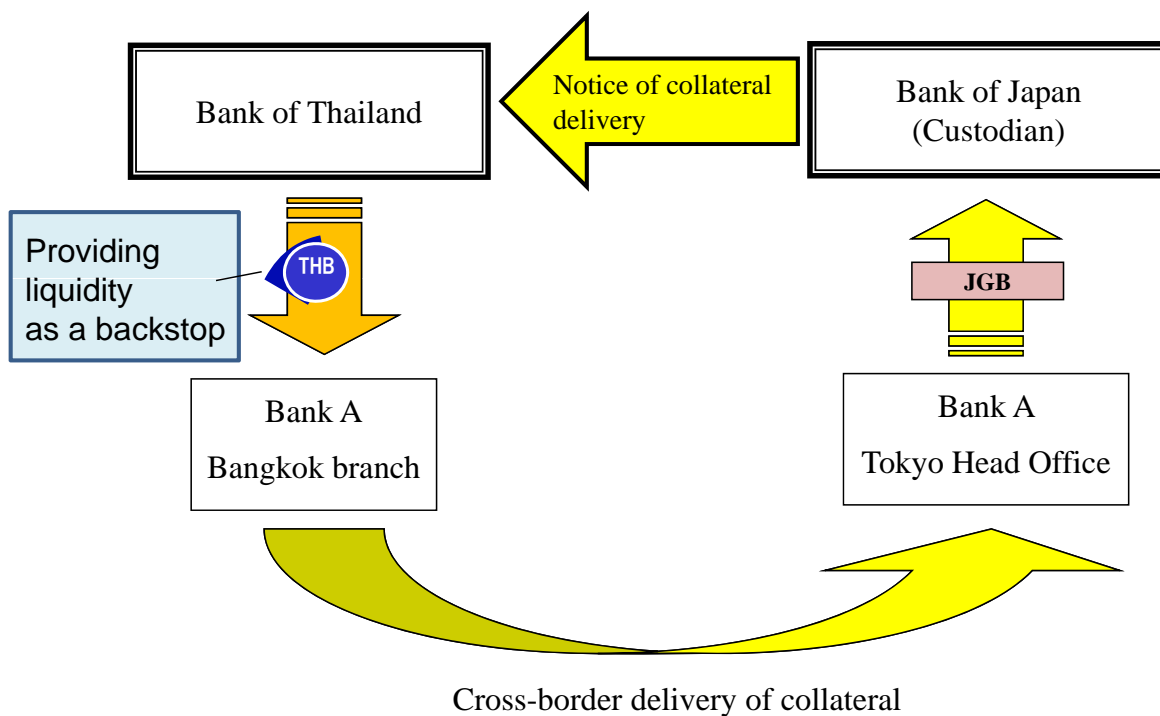
Possible Cross-Border expansion
of the Japanese Yen and JGBs

Improvement in Retail Payment Services

Toward Ubiquity of Japanese Yen and JGBs

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7. Cross-Border Collateral Arrangement



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8. Benefits of Shorter JGB Settlement Cycle

Standard outright transactions

and Special collateral repo transactions : T+2 → T+1

General collateral repo transactions : T+1 → T+0

Investors

- More options for short-term investments of surplus funds

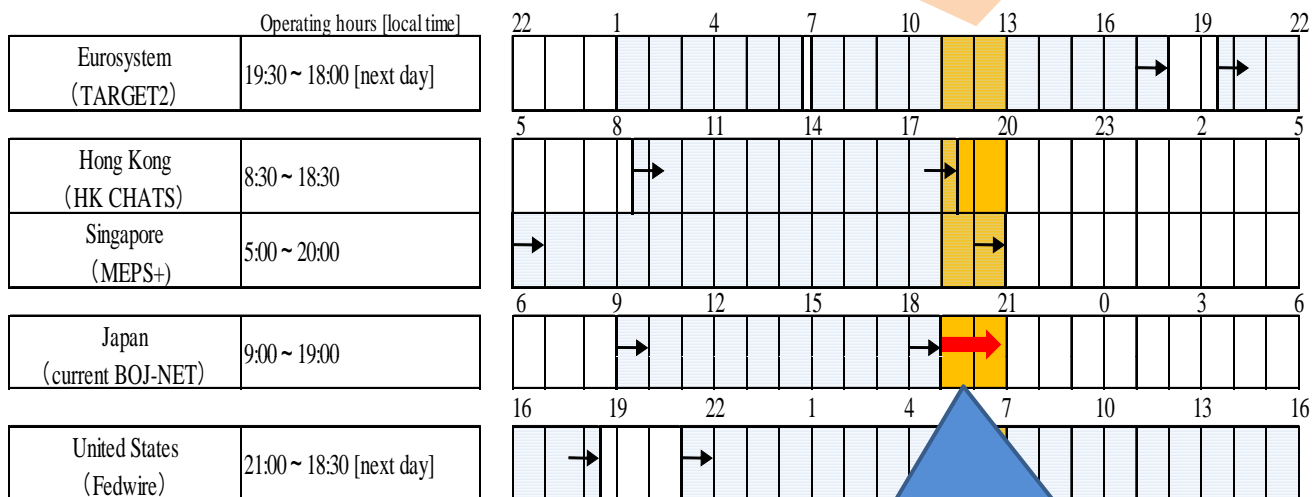
Banks

- Smoother funding by T+0 repo transactions
- Reduced settlement risks

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9. Faster and Safer Cross-Border Settlement on BOJ-NET

Longer overlap with Asian and European markets

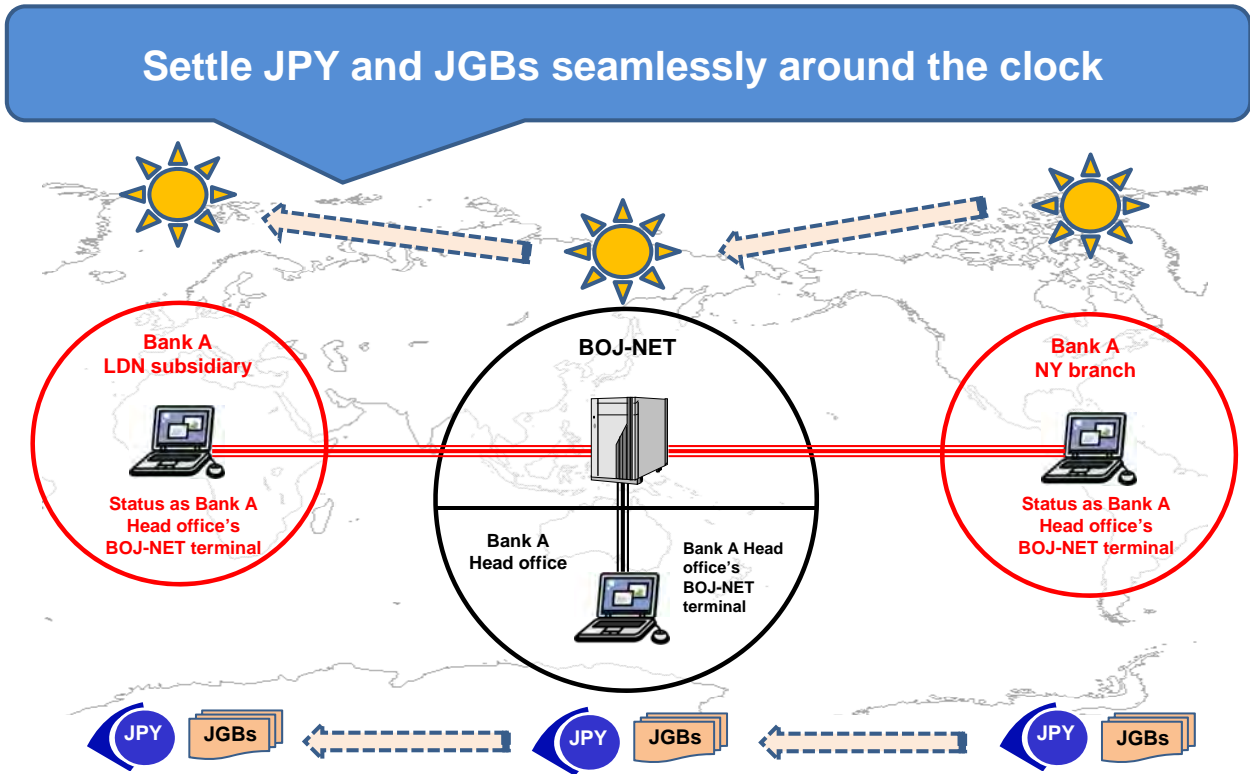


(Winter time in United States and Europe)

Extension of the BOJ-NET operating hours from Feb 15, 2016

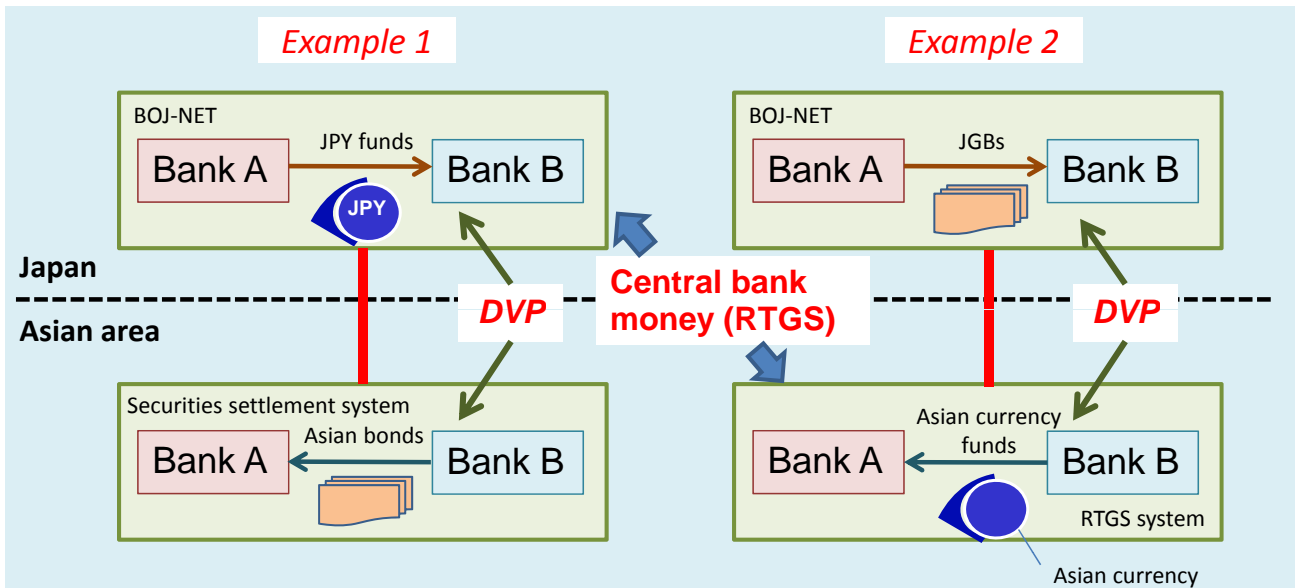
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10. Global Access – Future Landscape

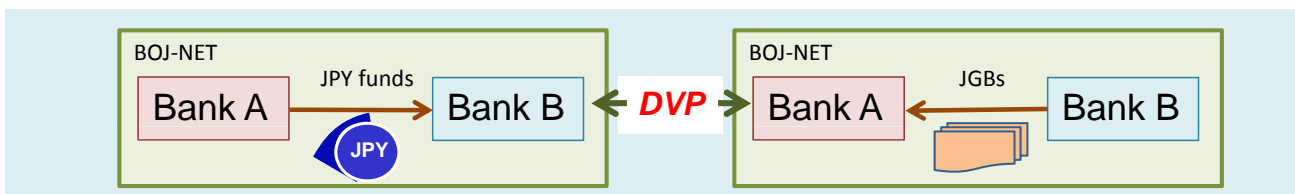


11. Cross-Border DVP Linkage: Illustration

Cross-Border DVP

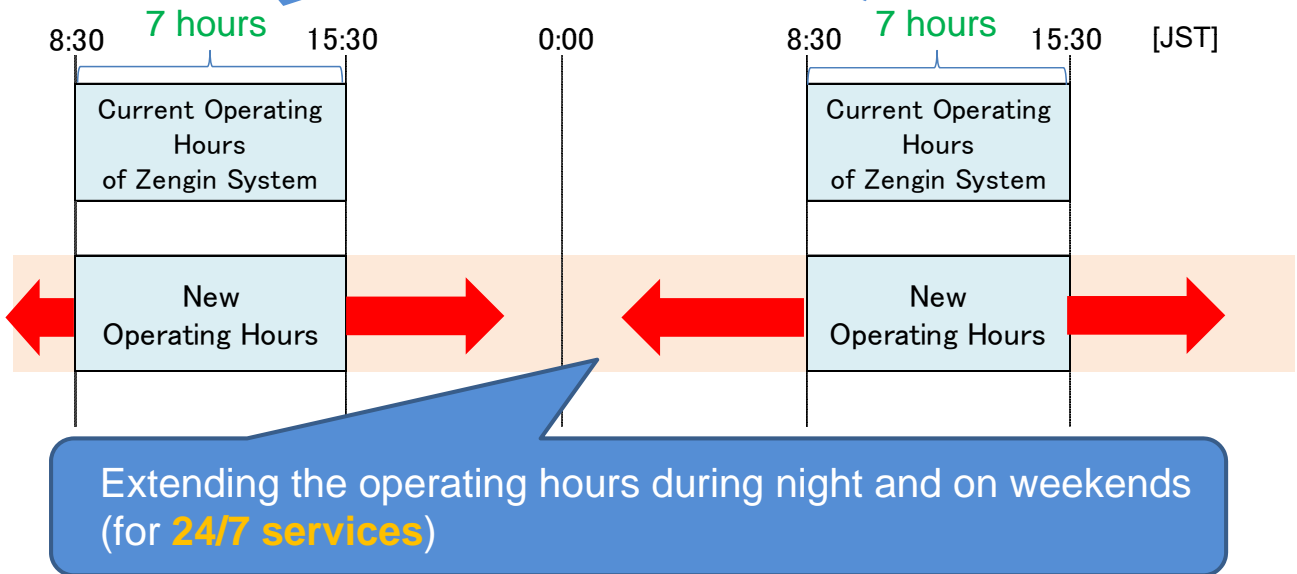


Current National DVP



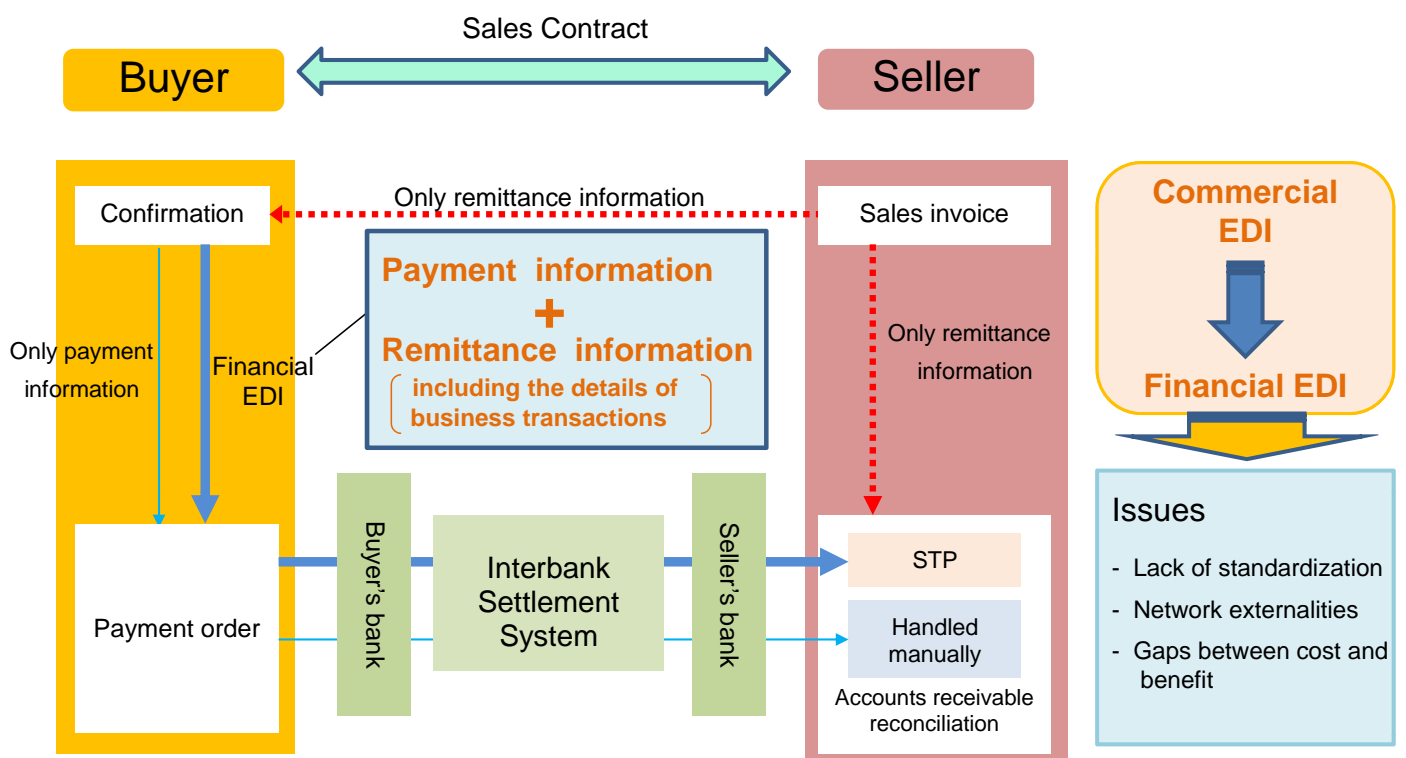
12. 24/7 Services

Near-Real-Time Retail Payment System provides services for the daytime on weekdays



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13. Financial EDI



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14. Expansion of the Quantitative and Qualitative Monetary Easing

Accelerating the annual pace of increase in the monetary base from about 60-70 trillion yen to

" 80 trillion yen "

Increasing the Bank's JGB holdings at an annual pace of about **80 trillion yen**:

" + 30 trillion yen "

Extending the average remaining maturity of JGB purchases to **about 7-10 years**:

" + 3 years "

Accelerating the pace of purchases of ETFs and J-REITs:

" Tripled "



- Pre-empt manifestation of a risk that conversion of deflationary mindset, which has so far been progressing steadily, might be delayed
- Maintain the improving **momentum of expectation formation**