

December 2023

Trends in the Money Market in Japan

— Results of the Tokyo Money Market Survey (August 2023) —

Financial Markets Department
Bank of Japan

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Financial Markets Department, Bank of Japan

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Results of the Tokyo Money Market Survey (August 2023)

■ Introduction ■

The Financial Markets Department of the Bank of Japan (the Bank) has conducted the Tokyo Money Market Survey since 2008 to understand developments in the Japanese money market. Initially, this series of surveys was conducted every other year. However, to observe market trends more precisely, the Bank decided to conduct the survey annually, beginning with the 2013 survey. In August 2023, the 14th survey in the series was carried out (the survey was conducted as of the end of July 2023).

As with the previous surveys, this survey covers eligible counterparties in the Bank's market operations, as well as other major participants in the money market. The number of respondents in the survey was 386 (with a response rate of 100 percent).

The Bank intends to capture comprehensively and from various angles the situations and structural changes in the money market, utilizing the results of this survey as well as the results of the Bond Market Survey. The Bank will continue to enhance dialogue with market participants by taking advantage of the Meeting on Market Operations and the Bond Market Group Meeting to actively support the relevant parties in their efforts to enhance Japanese financial markets, including the money market. The Bank intends to contribute significantly to such endeavors in its capacity as Japan's central bank.

Number of Respondents in the Tokyo Money Market Survey

| | 2022 survey | 2023 survey |
|---|-------------|-------------|
| Total respondents | 383 | 386 |
| Eligible counterparties in the Bank's market operations | 356 | 359 |

Note: In addition to the eligible counterparties in the Bank's market operations, several major life insurance companies, general insurance companies, and asset management companies participated in the survey.

■ Overview ■

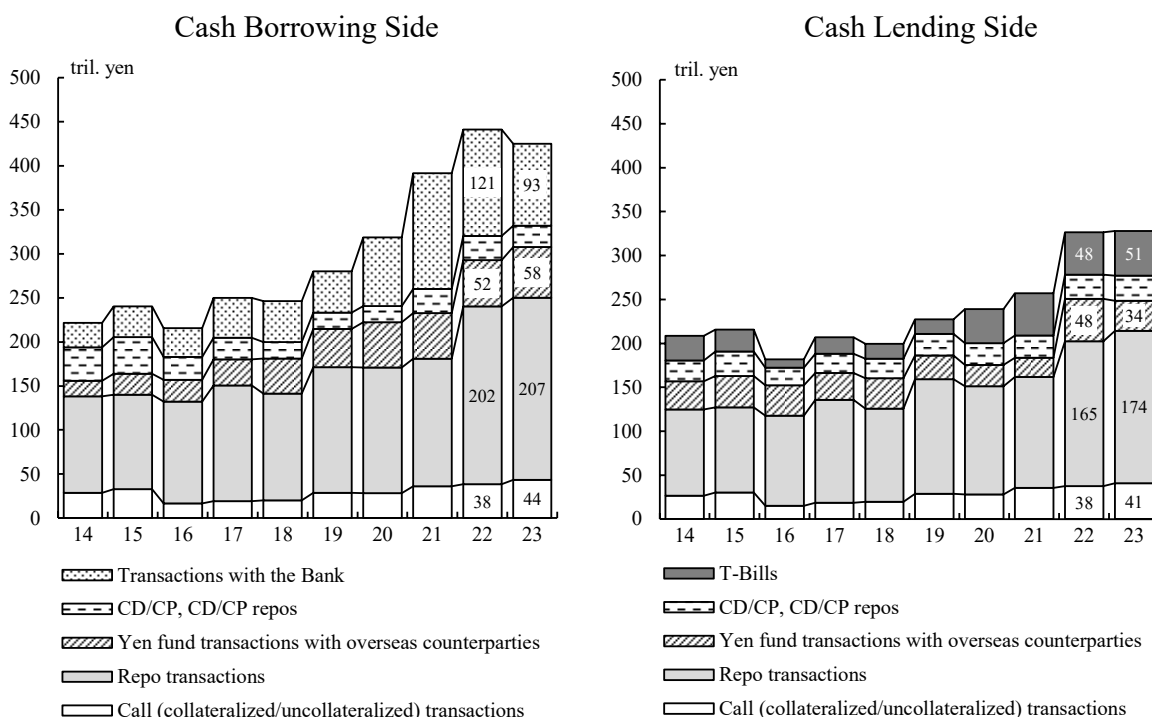
The amounts outstanding in the money market decreased from the previous year on the cash borrowing side, but remained unchanged on the cash lending side.¹

On the borrowing side, transactions with the Bank decreased from the previous year, with the termination of the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19) (hereinafter referred to as the "Special Operations in Response to COVID-19"). On the lending side, repo transactions increased due to growing bond demand, particularly by non-residents. Meanwhile, yen lending through FX swaps decreased, as precautionary demand for dollar funds resulting from factors such as geopolitical risks levelled off.

With respect to the functioning of the money market (as of the end of July 2023), around 90 percent of respondents answered that it remained "mostly unchanged" from the previous year.

The Bank intends to continue to closely monitor the developments in the money market through day-to-day monitoring activities, the implementation of the Tokyo Money Market Survey, and dialogue with market participants.

Amount Outstanding in the Money Market



¹ The discrepancies between the figures on the cash lending side and borrowing side are due to constraints regarding the counterparties covered by this survey (e.g., non-residents are not included), and the fact that some types of transactions are recorded only on one side (e.g., transactions with the Bank are recorded only on the cash borrowing side, while treasury discount bills [T-Bills] are recorded only on the cash lending side).

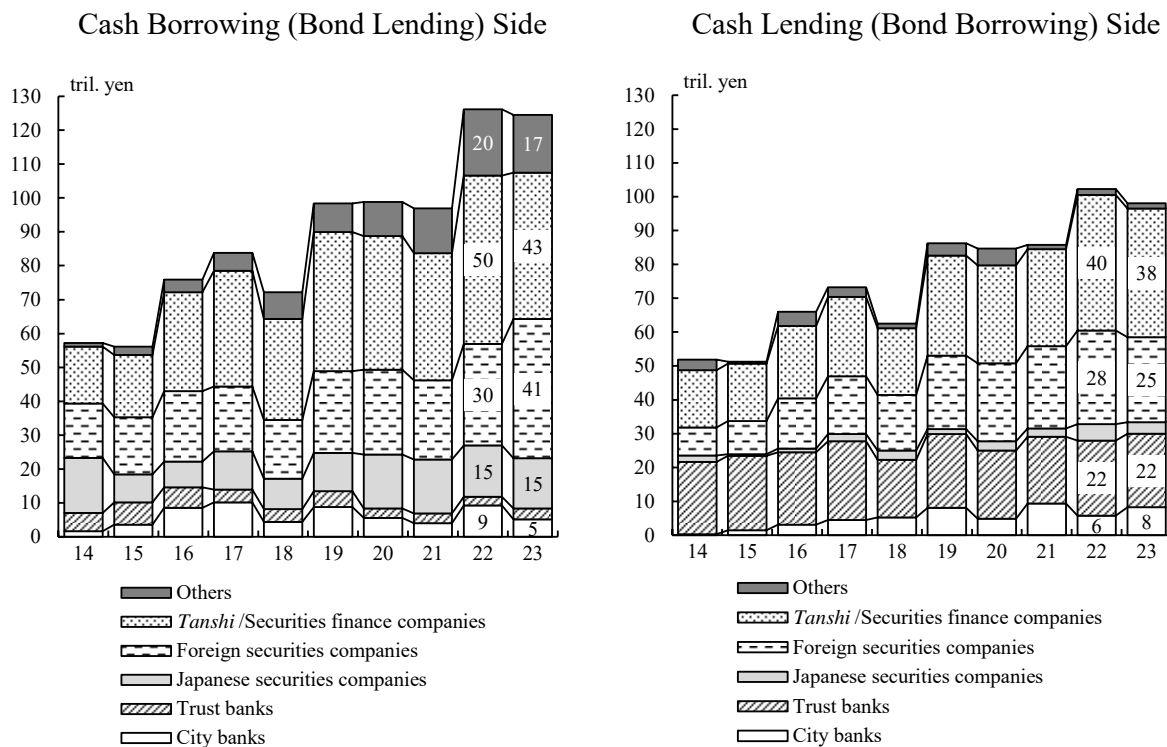
1. GC Repo Transactions Decreased Somewhat but Remained at High Levels

Of repo market² transactions, the amount outstanding of general collateral (GC) repos³ decreased somewhat, albeit remaining at high levels.

On the cash borrowing (bond lending) side, while bond lending from foreign securities companies increased owing to bond demand by non-residents, cash borrowing by city banks decreased due to the declining attractiveness of arbitrage trading between the GC repo market and the uncollateralized call market.

On the cash lending (bond borrowing) side, some securities companies commented that their bond borrowing in the GC repo market had reduced, as they had purchased more T-bills in securing collateral instead of using term GC repos, mainly with a view to reducing costs.

Amount Outstanding in the GC Repo Market by Investor Type



² In this paper, the market for securities repurchase (*gensaki*) transactions and cash-collateralized securities lending (*gentan*) transactions is called the "repo market."

³ These are repo transactions in which the securities to be used as collateral are not specified.

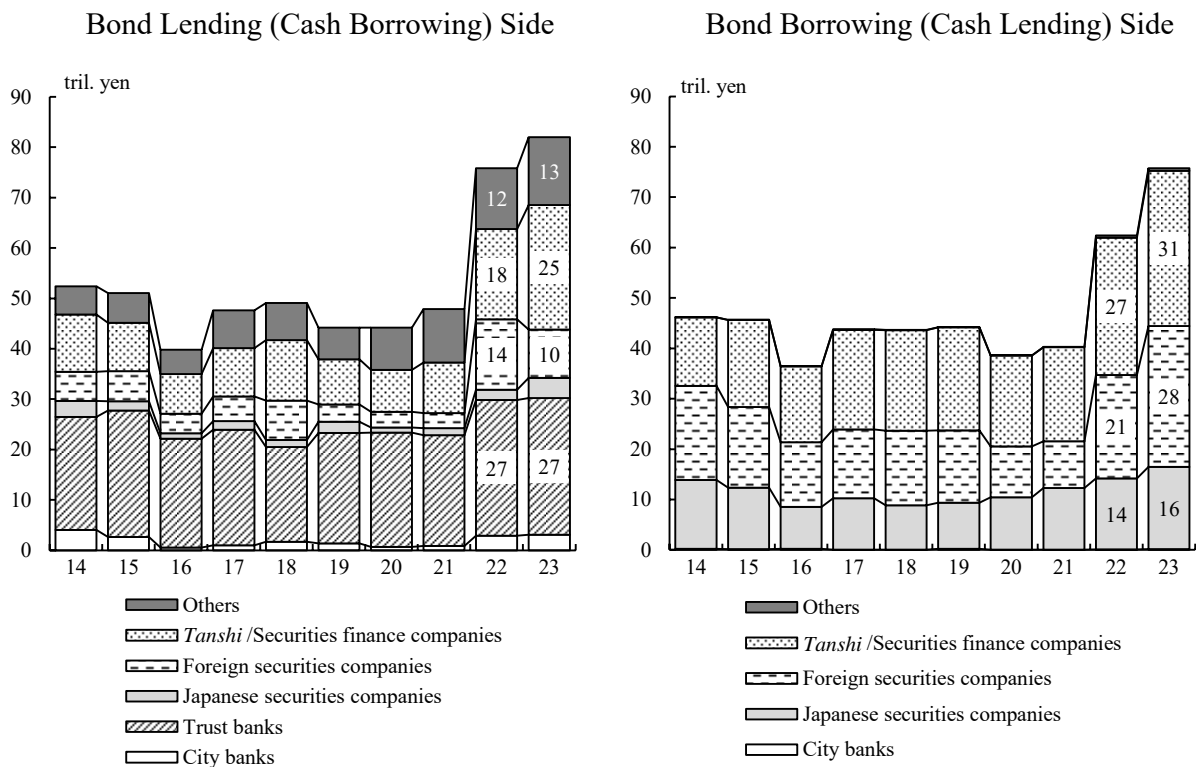
2. SC Repo Transactions Increased from the Previous Year

The amount outstanding of special collateral (SC) repos⁴ increased from the previous year.

On the bond lending (cash borrowing) side, bond lending from *tanshi* companies and securities finance companies to foreign securities companies and Japanese securities companies increased.

On the bond borrowing (cash lending) side, bond borrowing by foreign securities companies, Japanese securities companies, *tanshi* companies, and securities finance companies increased. Foreign securities companies and Japanese securities companies continued to note that they had increased their bond borrowing in the SC repo market, mainly in response to strong bond demand, particularly by non-residents, and a scarce supply of bonds in the market.

Amount Outstanding in the SC Repo Market by Investor Type



⁴ These are repo transactions in which the securities to be used as collateral are specified.

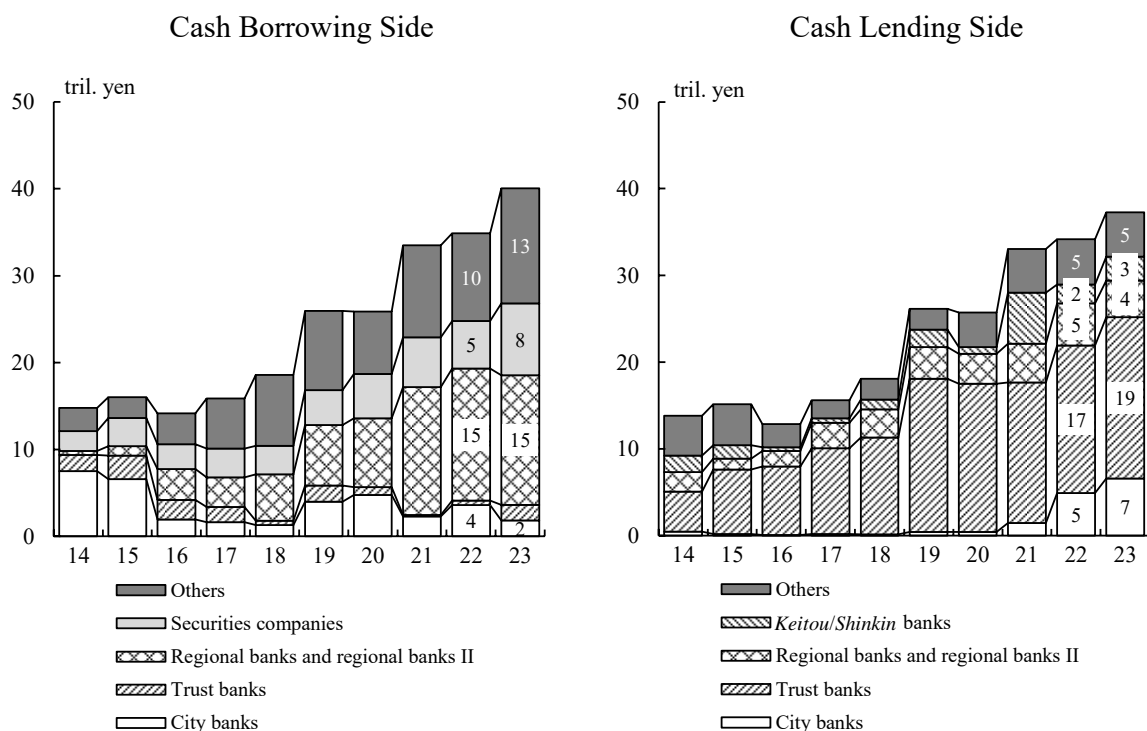
3. Uncollateralized Call Transactions Increased from the Previous Year

The amount outstanding of transactions in the uncollateralized call market increased from the previous year.

On the cash borrowing side, securities companies and others noted that they had increased their cash borrowing, mainly because of an increase in the unused allowances of macro add-on balances following the rise in the Benchmark Ratio applied to their current account balances at the Bank.

On the cash lending side, city banks commented that they had increased their cash lending, in light of an increase in excess funds associated with the rise in yen borrowing through FX swaps.

Amount Outstanding in the Uncollateralized Call Market by Investor Type



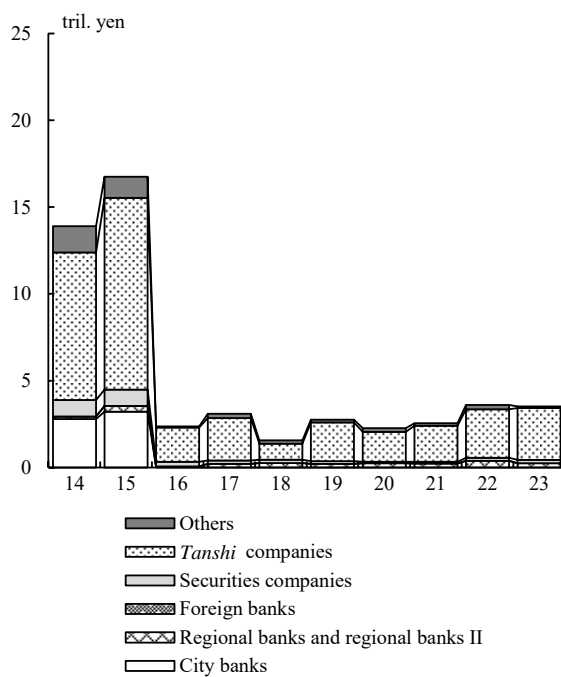
4. Collateralized Call Transactions Remained at Low Levels

The amount outstanding of transactions in the collateralized call market has continued to be at a significantly low level since the introduction of the negative interest rate policy.

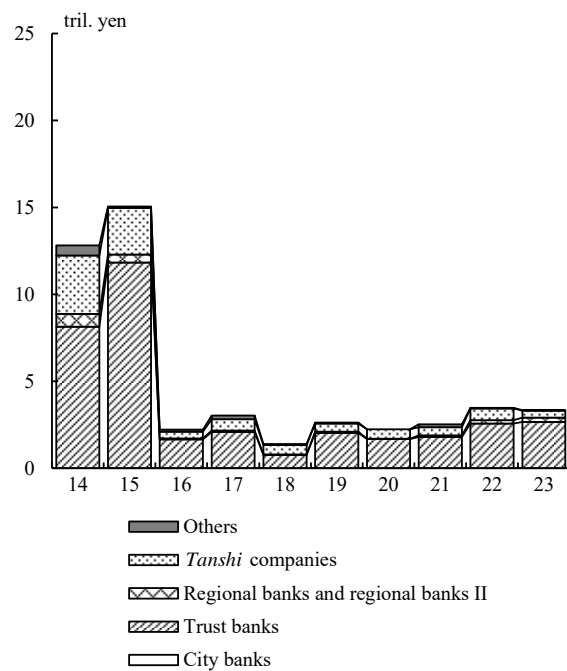
It was pointed out that transactions have continued to be at low levels as there have not been major changes in the stance of trust banks, which are the main cash lenders.

Amount Outstanding in the Collateralized Call Market by Investor Type

Cash Borrowing Side



Cash Lending Side



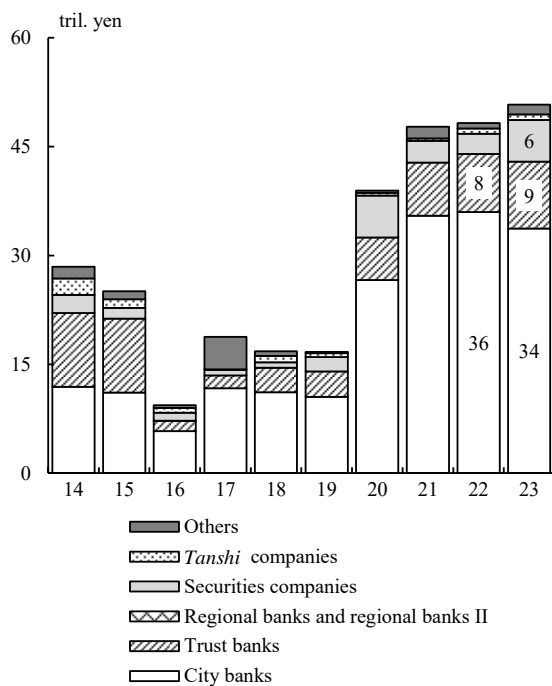
5. Investment in T-Bills Increased Somewhat, while Investment in CP Remained Unchanged

The amount outstanding of investment in T-Bills increased somewhat from the previous year, while the amount outstanding of investment in CP remained unchanged.

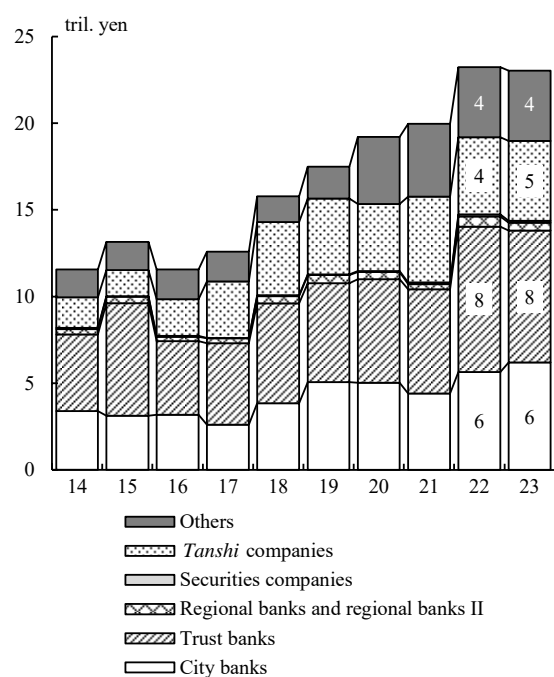
T-Bill investment by city banks decreased due to a declining need to obtain the instrument as collateral for the Special Operations in Response to COVID-19. Meanwhile, securities companies' T-Bill holdings increased, as some of them purchased more T-Bills in securing collateral instead of using term GC repos.

Investment in CP remained unchanged. It stayed at a high level, reflecting firms' continued strong need to borrow cash.

Amount Outstanding of Investment in T-Bills



Amount Outstanding of Investment in CP

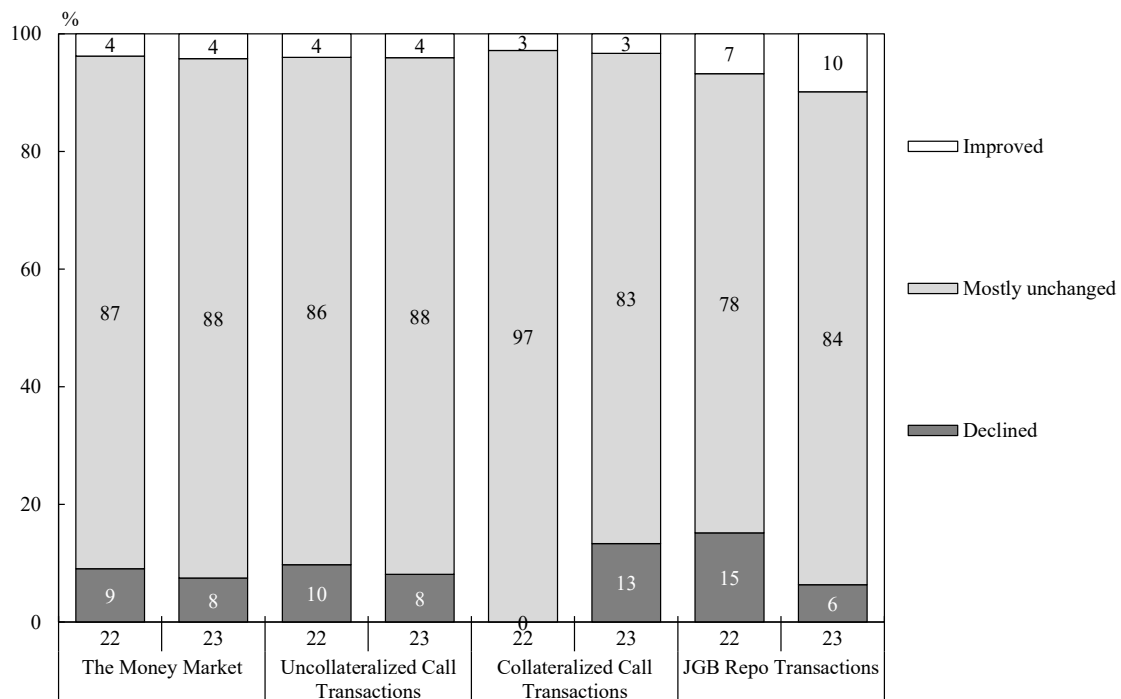


6. Perceptions of Market Participants on the Functioning of the Money Market

With respect to the functioning of the money market, around 90 percent of respondents answered that it remained "mostly unchanged."

By type of transaction, nearly 90 percent of respondents answered that the functioning of uncollateralized call transactions remained "mostly unchanged." The share of respondents who answered that the functioning of collateralized call transactions had "declined" increased from the previous year. Some respondents mentioned that there were fewer issues of securities that can be pledged as collateral in view of market conventions, with market prices falling as a result of the recent rise in interest rates. The share of respondents who answered that the functioning of JGB repo transactions had "declined" decreased from the previous year, while the share of respondents who answered that it had "improved" increased. Some respondents mentioned that, although the liquidity in the JGB market remained low, the kind of deterioration seen last year had not been observed.

Perceptions of Market Participants on the Functioning of the Money Market⁵



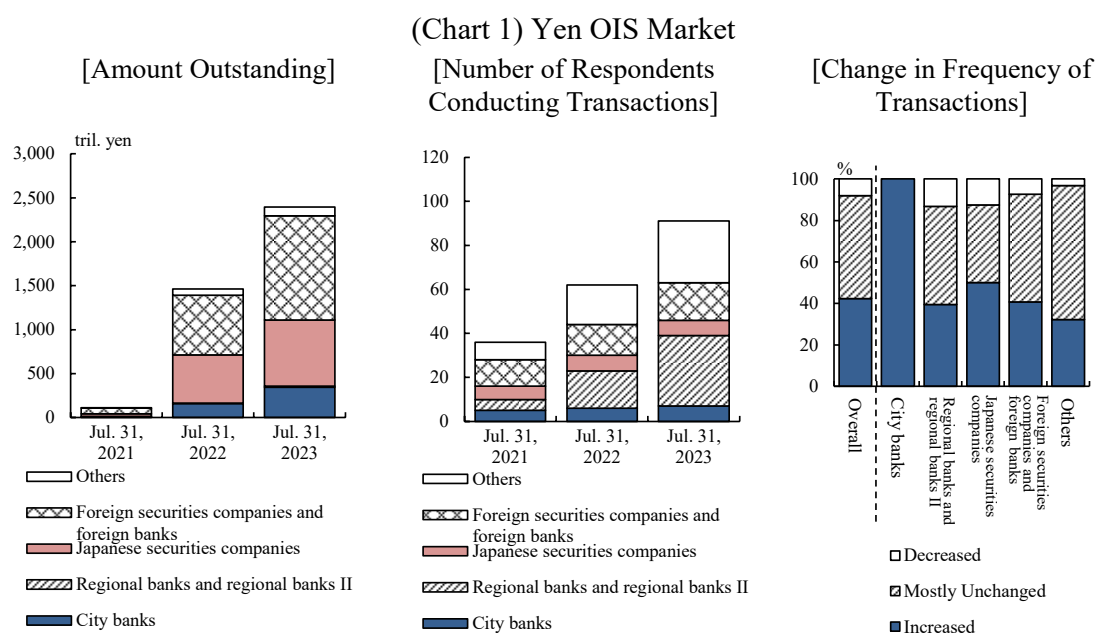
⁵ For "The Money Market," responses were obtained only from those that were engaged in some kinds of contracts for call transactions or JGB repo transactions. For "Uncollateralized Call Transactions," "Collateralized Call Transactions," and "JGB Repo Transactions," responses were obtained only from those that were engaged in uncollateralized call transactions, collateralized call transactions, and contracts for JGB repo transactions, respectively.

[BOX] Yen OIS Transactions and 3-Month TONA Futures

This box provides the results of a survey on the current situation (as of July 31, 2023) of Japanese yen overnight index swap (OIS) and 3-month Tokyo Overnight Average Rate (TONA) futures, the prospects of the use of these instruments, and the issues for the future.

(1) Yen OIS Transactions

The amount outstanding of yen OIS transactions at reporting institutions and the number of those conducting yen OIS transactions increased significantly compared to 2021 and 2022. Over 40 percent of respondents answered that their frequency of yen OIS transactions had "increased" from the previous year, while the rest of the respondents mostly viewed that it was "mostly unchanged." Only a few respondents answered that it had "decreased" (Chart 1). Respondents noted that, while yen OIS had become widespread with the cessation of JPY LIBOR in December 2021, they recently had increased the use of yen OIS to accommodate the growing need for hedging amid expectations of a rise in interest rates.

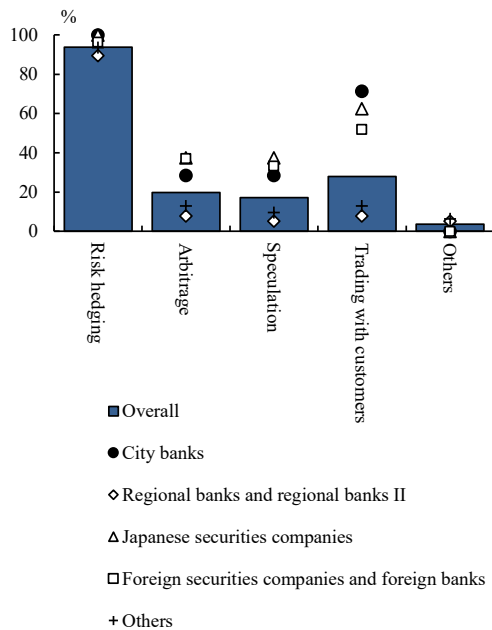


Note: For the left and middle charts, responses were obtained from those who answered that they had an amount outstanding of yen OIS transactions (which were conducted with customers or with banks/securities companies). Figures in the left chart are aggregated on the basis of notional amount. For the right chart, responses were obtained from 111 respondents who answered that they were engaging in yen OIS transactions about the change in the frequency of their yen OIS transactions from the previous year.

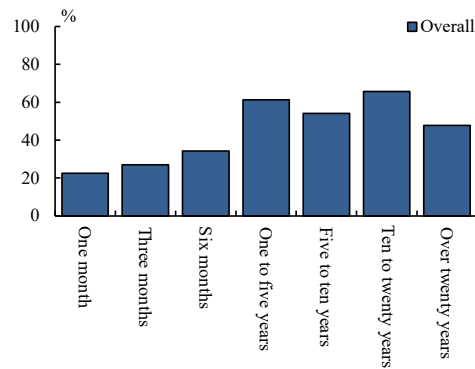
As the purpose of transactions, over 90 percent of respondents chose "risk hedging," meaning that they use yen OIS as a hedge against risks associated with their trading with customers and to control interest rate risks on their balance sheets. Meanwhile, some securities companies and city banks answered that they used yen OIS for "arbitrage" and

"speculation" purposes (Chart 2). The term of a transaction is often set at "one to five years" mainly due to banks' need for ALM hedging and securities companies' trading with speculators, and at "ten to twenty years" to meet banks' strong need for hedging against risks associated with their holdings of bonds. There were relatively few transactions whose term was set within one year (Chart 3).

(Chart 2) Transaction Purposes



(Chart 3) Term Settings

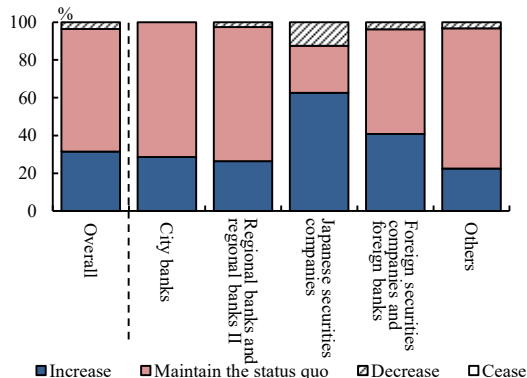


Note: Responses were obtained from 111 respondents who answered that they were engaging in yen OIS transactions. Multiple answers were allowed.

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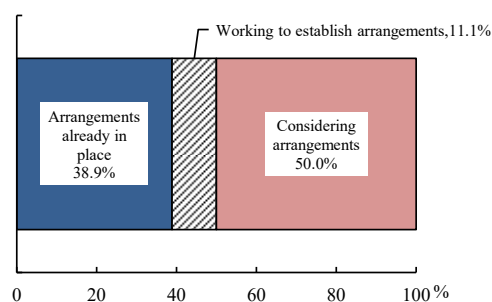
Regarding the prospects of the volume of yen OIS transactions over the next year, more than 60 percent of the respondents engaging in yen OIS transactions answered that they would "maintain the status quo." Meanwhile, over 30 percent of them answered that they would "increase" transactions to deal with the heightened volatility of yen interest rates (Chart 4). Even among respondents not engaging in yen OIS transactions, 18 respondents answered that they were considering starting yen OIS transactions and around 40 percent of them noted that they already had system arrangements in place (Chart 5).

(Chart 4) Prospects of the Trading Volume



Note: The prospects of the volume of yen OIS transactions over the next year. Responses were obtained from 111 respondents who answered that they were engaging in yen OIS transactions.

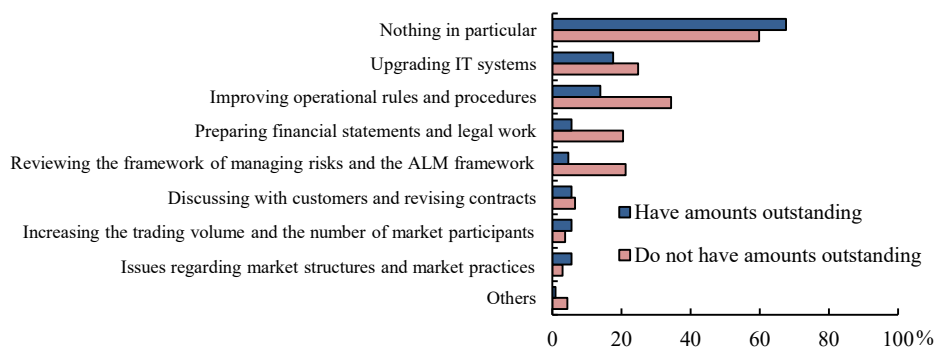
(Chart 5) Preparedness for Starting Transactions



Note: Of the respondents without an amount outstanding of yen OIS transactions, responses were obtained from 18 respondents who were considering starting yen OIS transactions.

As issues involved in increasing and starting yen OIS transactions, the majority of respondents chose "nothing in particular" (Chart 6). Respondents engaging in yen OIS transactions mentioned that the transition from JPY LIBOR had proceeded smoothly, and there were no particular issues. Among respondents without an amount outstanding of yen OIS transactions, "nothing in particular" was the most common answer. However, some of them pointed to issues such as "improving operational rules and procedures" and "upgrading IT systems."

(Chart 6) Issues Involved in Increasing and Starting Yen OIS Transactions



Note: Responses from those who answered that they "have no transaction need" were excluded. Responses were obtained from 108 respondents with an amount outstanding of yen OIS transactions and 137 respondents without an amount outstanding of such transactions. Multiple answers were allowed.

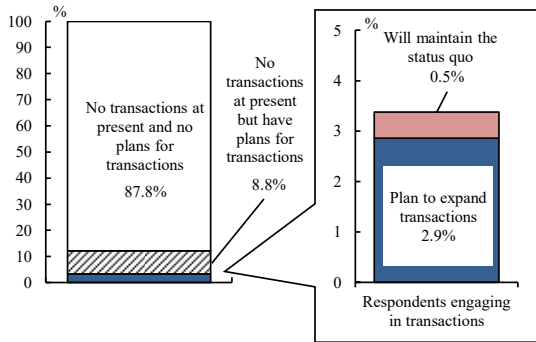
(2) 3-Month TONA Futures

Only 3 percent of respondents were trading 3-month TONA futures⁶ (hereinafter referred to as "TONA futures") (Chart 7). With regard to the purposes of prospective transactions,

⁶ These are contracts for differences referencing the Tokyo Overnight Average Rate (TONA), which were newly listed on the Tokyo Financial Exchange in March 2023 and on the Osaka Exchange in May 2023.

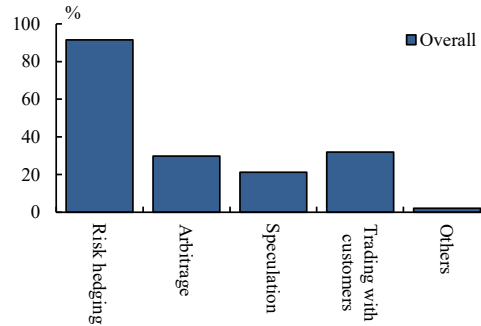
"risk hedging" was the most common answer for respondents who had plans to conduct TONA futures transactions in the future regardless of whether they were engaging in the transactions, while some of them mentioned they would carry out the transactions for "arbitrage" and "speculation" purposes (Chart 8).

(Chart 7) Current and Prospective Use of TONA Futures



Note: Responses were obtained from 385 respondents, excluding those who did not provide answers.

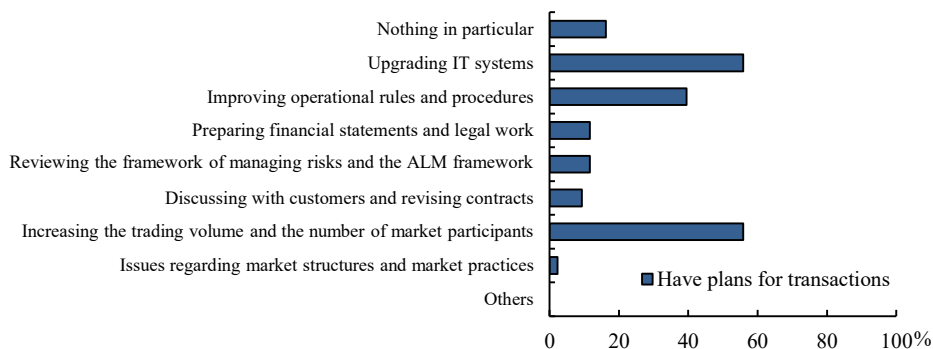
(Chart 8) Purposes of Prospective Transactions



Note: Responses were obtained from 47 respondents who answered that they had plans to conduct TONA futures transactions in the future regardless of whether they were engaging in such transactions. Multiple answers were allowed.

With regard to issues involved in increasing and starting TONA futures transactions, many respondents who had plans for transactions noted that "increasing the trading volume and the number of market participants" was an issue. Many respondents also pointed to issues concerning their own infrastructures, such as "upgrading IT systems" and "improving operational rules and procedures" (Chart 9).

(Chart 9) Issues Involved in Increasing and Starting TONA Futures Transactions

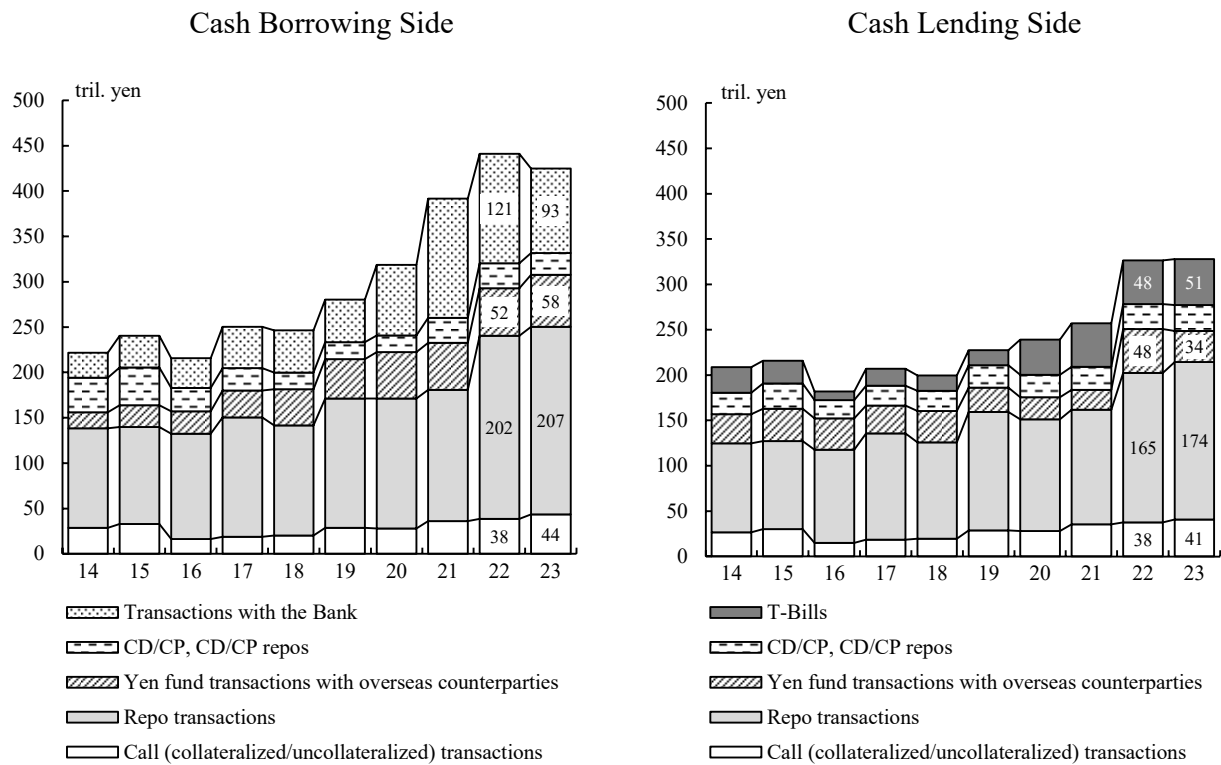


Note: Responses from those who answered that they "have no transaction need" were excluded. Responses were obtained from 43 respondents who answered that they had plans to conduct TONA futures transactions in the future regardless of whether they were engaging in such transactions. Multiple answers were allowed.

Charts

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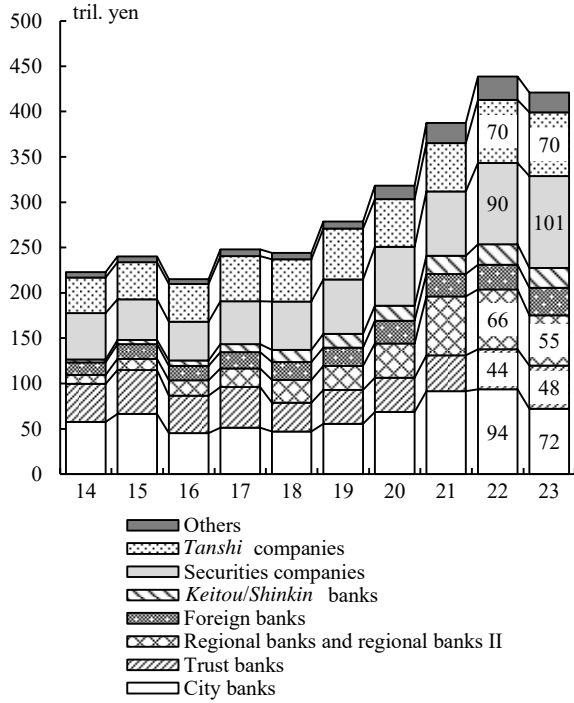
Chart 1: Amount Outstanding in the Money Market



- Notes: 1. Among call transactions, the figures for uncollateralized call transactions are calculated as total transactions through *tanshi* companies (money market brokers) and direct dealing (DD) transactions (only those made outside of the group; the same applies to the remainder of the paper unless otherwise specified).
2. Transactions with the Bank denote Funds-Supplying Operations against Pooled Collateral, Purchase/Sale of Japanese Government Securities with Repurchase Agreements, Purchases of CP with Repurchase Agreements, Funds-Supplying Operations to Support Financial Institutions in Disaster Areas, Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19), Funds-Supplying Operations to Support Financing for Climate Change Responses, Provisioning Measure to Support Strengthening the Foundations for Economic Growth, and Fund-Provisioning Measure to Stimulate Bank Lending and Complementary Lending.
3. The discrepancies between the figures on the cash lending side and borrowing side are due to constraints regarding the counterparties covered by this survey (e.g., non-residents are not included), and the fact that some types of transactions are recorded only on one side (e.g., transactions with the Bank are recorded only on the cash borrowing side, while treasury discount bills [T-Bills] are recorded only on the lending side).

Chart 2: Amount Outstanding in the Money Market by Investor Type

Cash Borrowing Side



Cash Lending Side

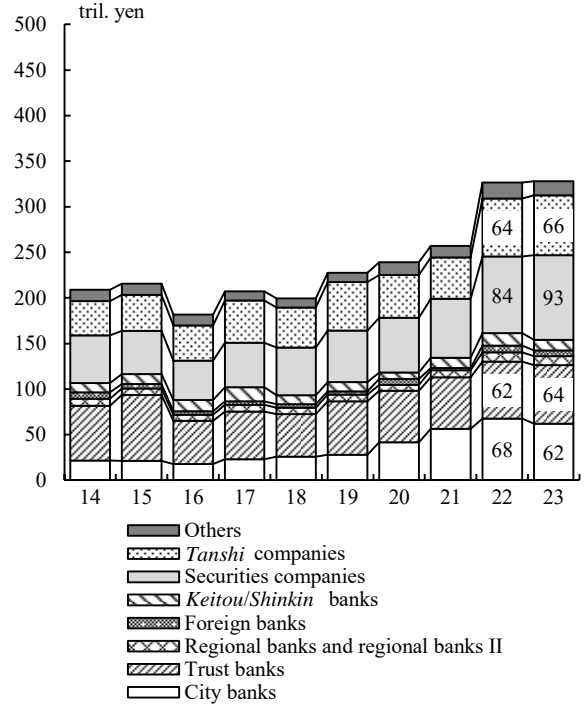
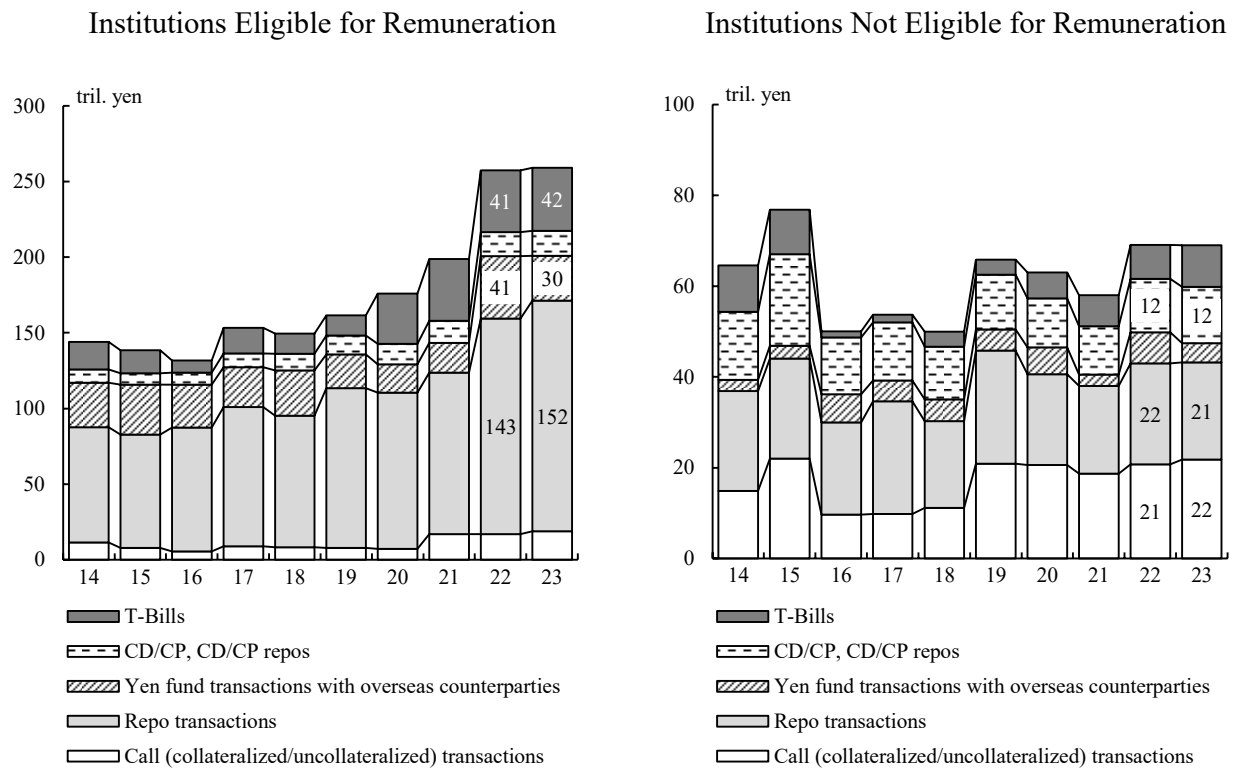
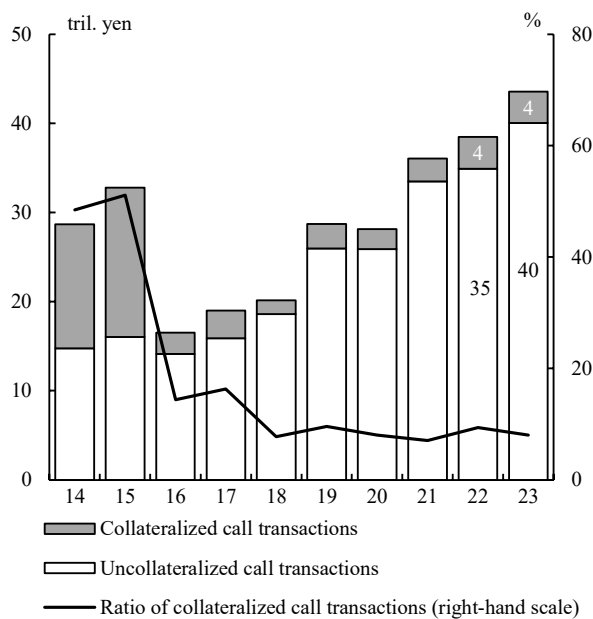


Chart 3: Amount Outstanding of Fund Lending by Institutions Eligible and Those Not Eligible for Remuneration



Note: "Institutions Eligible for Remuneration" refers to respondents eligible for the Complementary Deposit Facility.
 "Institutions Not Eligible for Remuneration" refers to respondents not eligible for the facility.

Chart 4: Amount Outstanding in the Call Market and the Ratio of Collateralized Transactions



Note: Cash borrowing side.

Chart 5: Amount Outstanding in the Uncollateralized Call Market by Investor Type

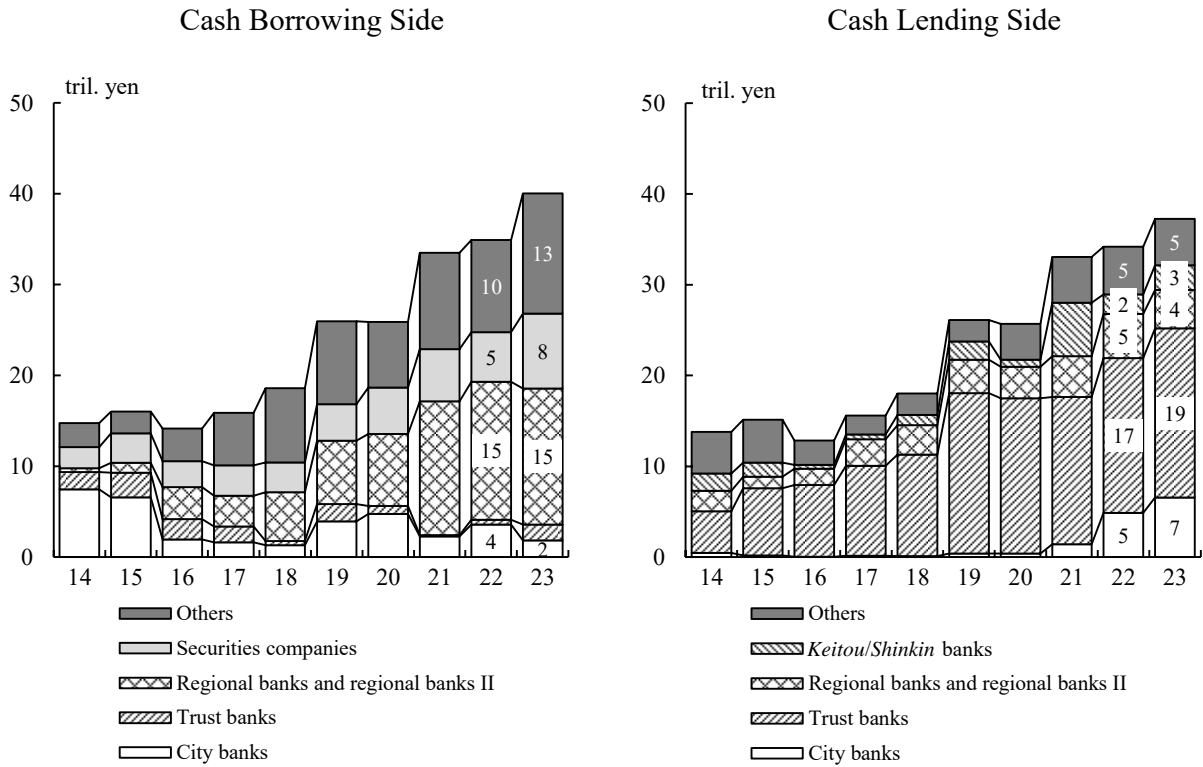
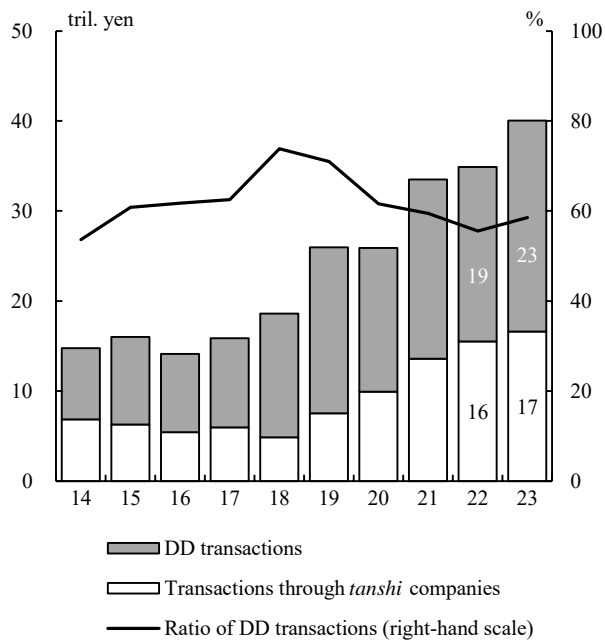
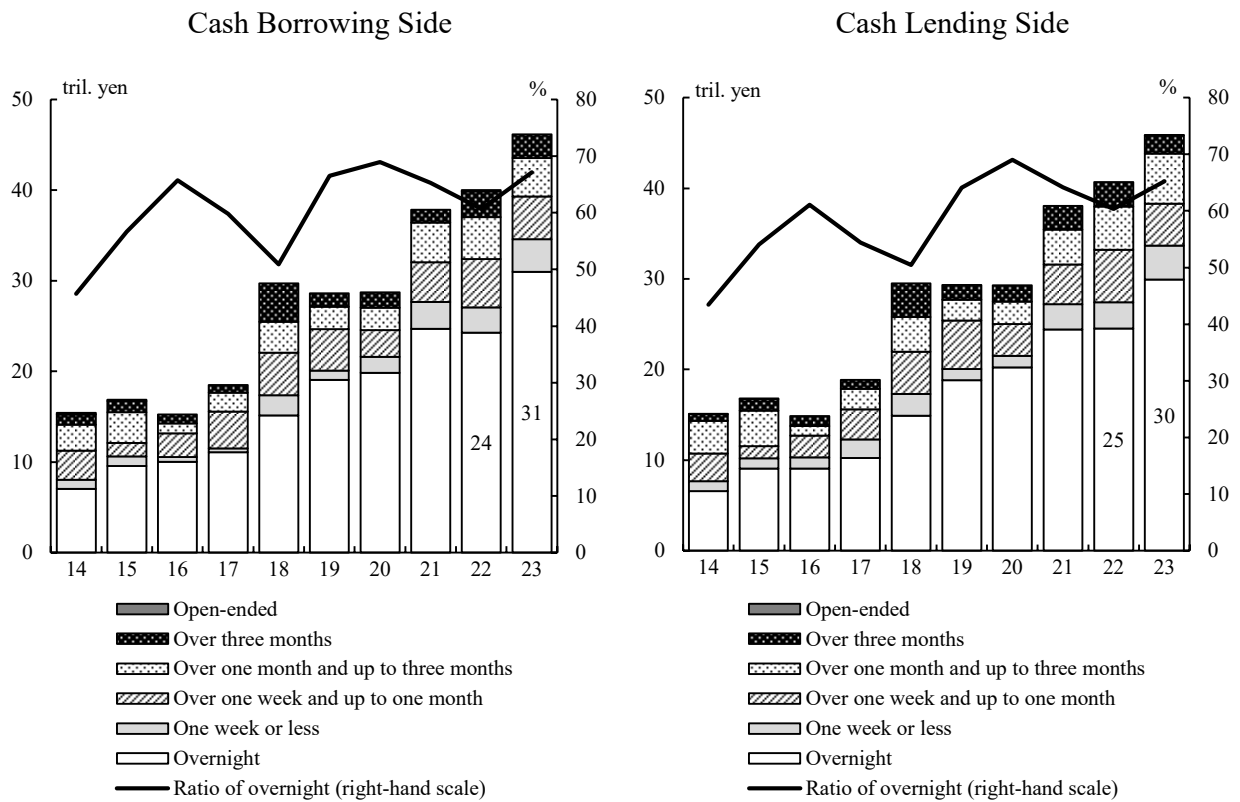


Chart 6: Amount Outstanding in the Uncollateralized Call Market and the Ratio of Non-Group Direct Dealing (DD) Transactions



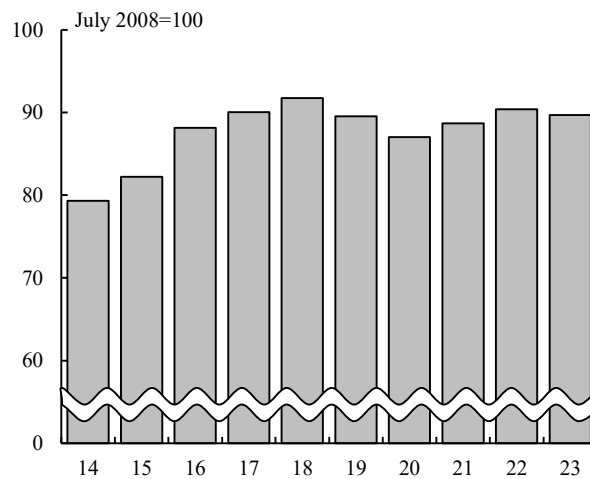
Note: Cash borrowing side.

Chart 7: Amount Outstanding in the Uncollateralized Call Market by Term



Note: Includes intra-group transactions.

Chart 8: Number of Credit Lines Established



Note: Number of respondents whose total number of credit lines established could be confirmed for all years from 2008 to 2023. Adjusted for the effects of mergers and other factors.

Chart 9: Amount Outstanding in the Collateralized Call Market by Investor Type

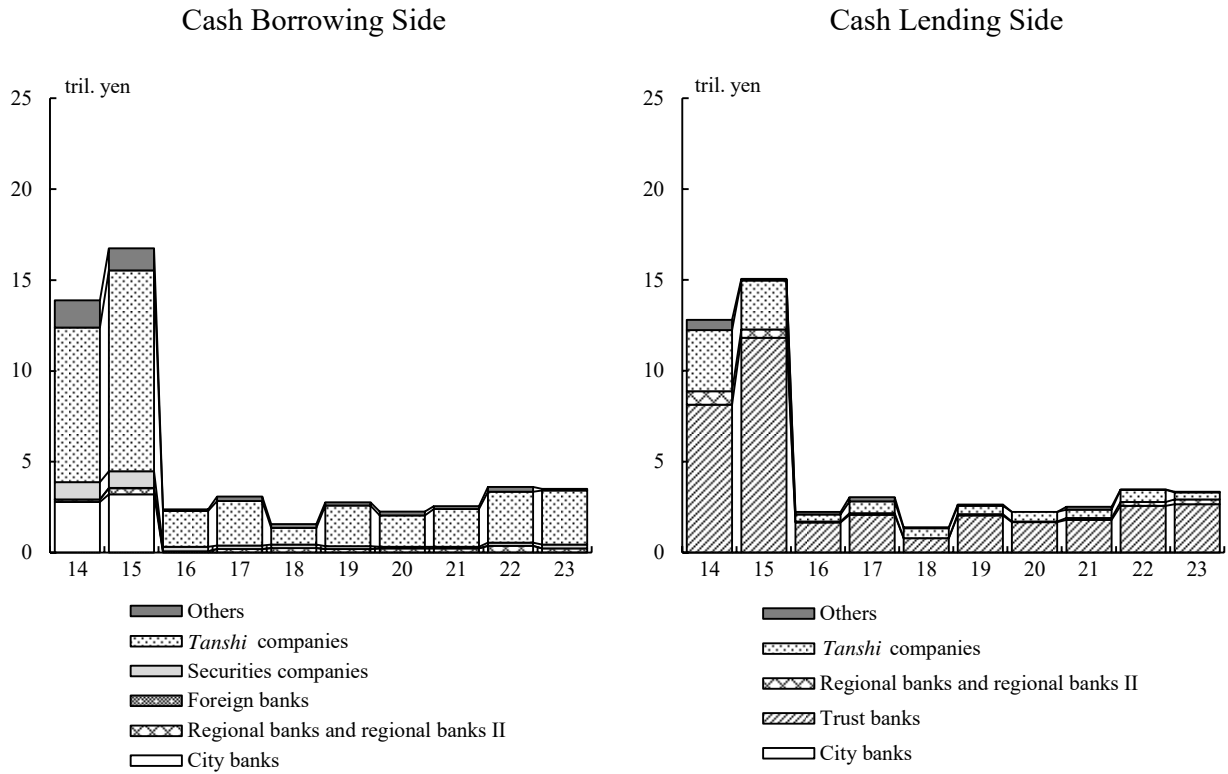


Chart 10: Amount Outstanding in the Collateralized Call Market by Term

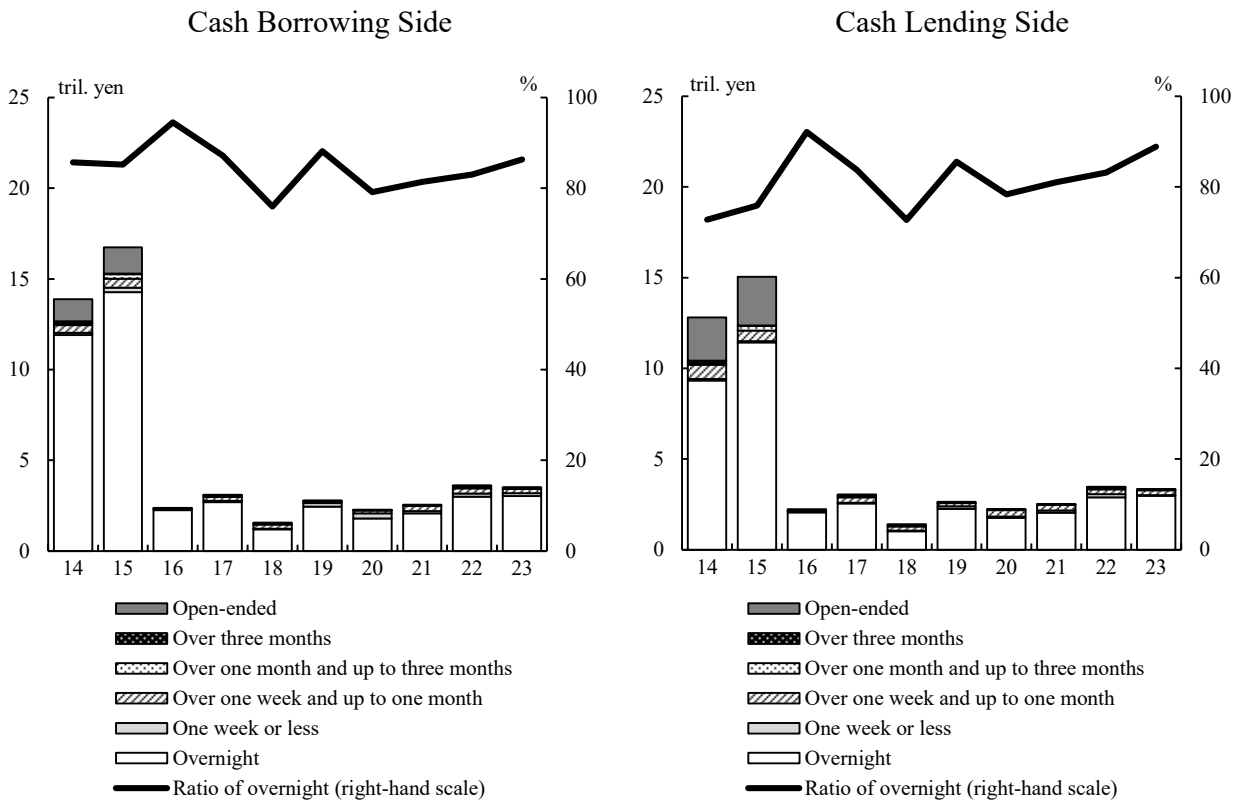
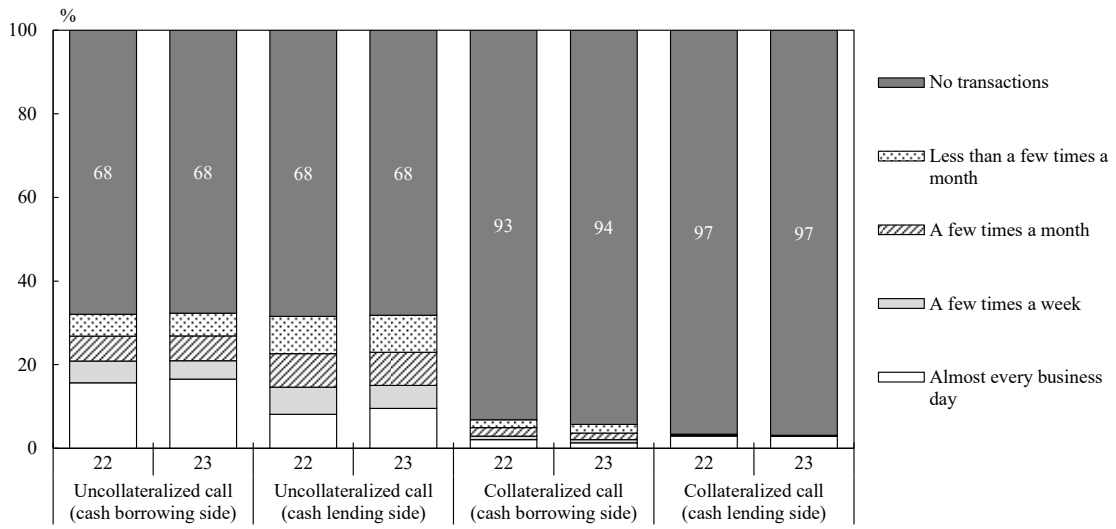
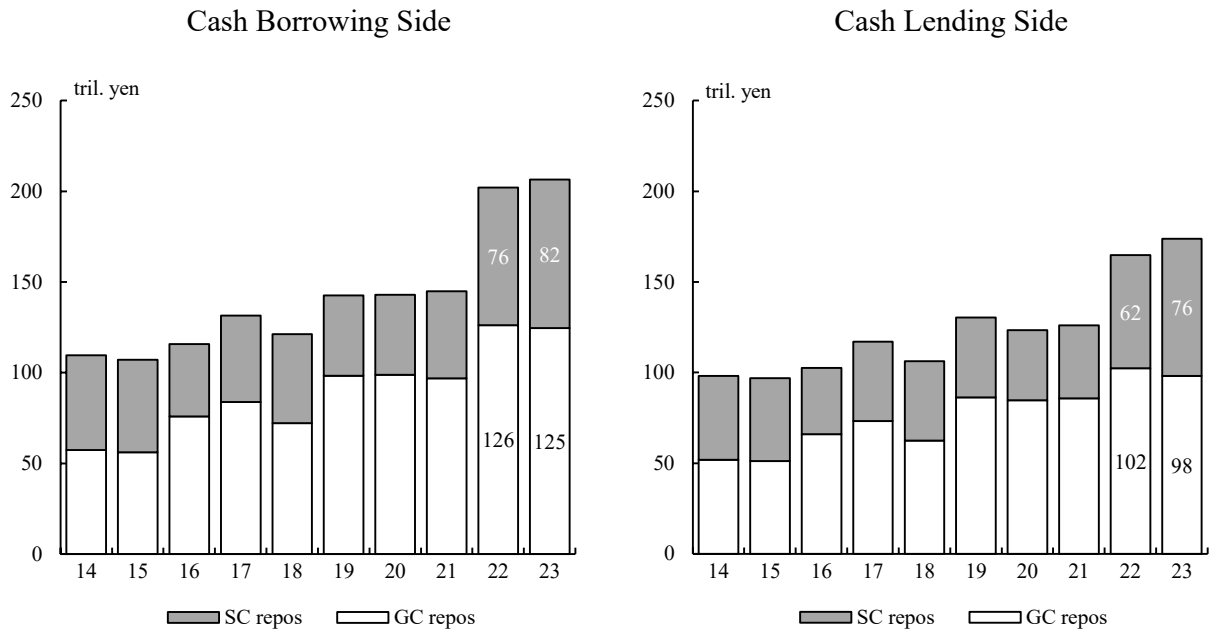


Chart 11: Frequency of Call Transactions



Note: The percentage of respondents is indicated by contract frequency for call transactions.

Chart 12: Amount Outstanding in the Repo Market
By Transaction Type



By Contract Type

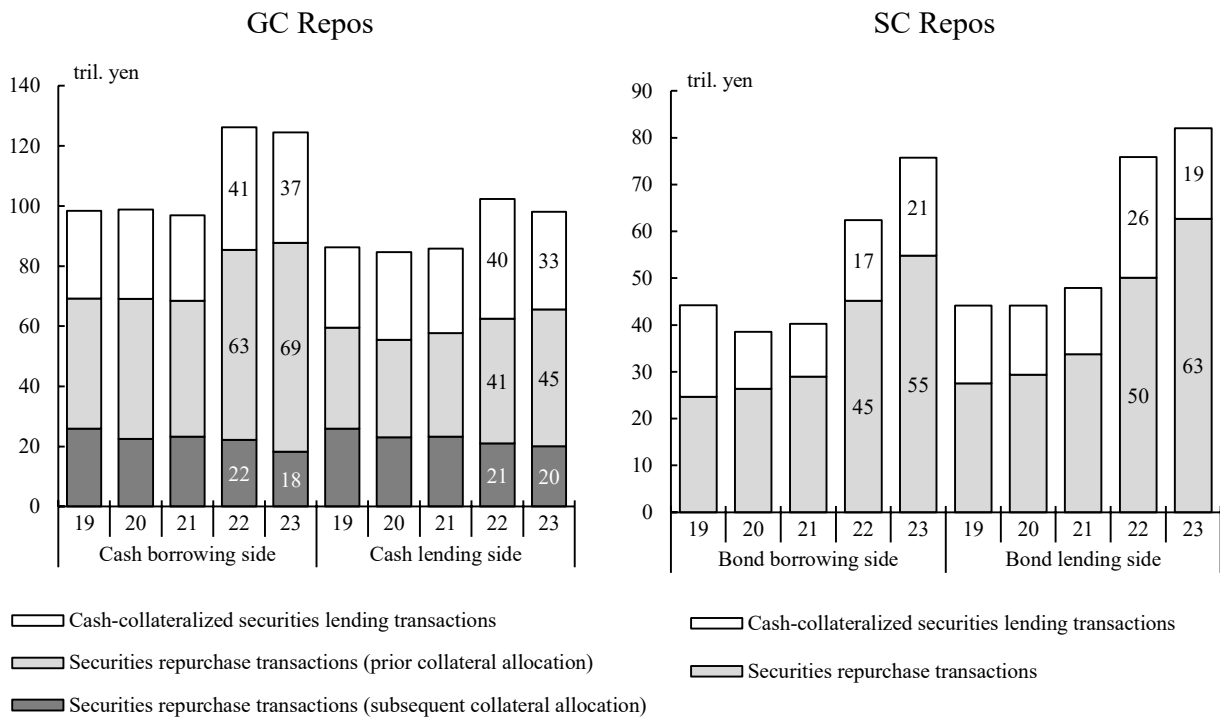
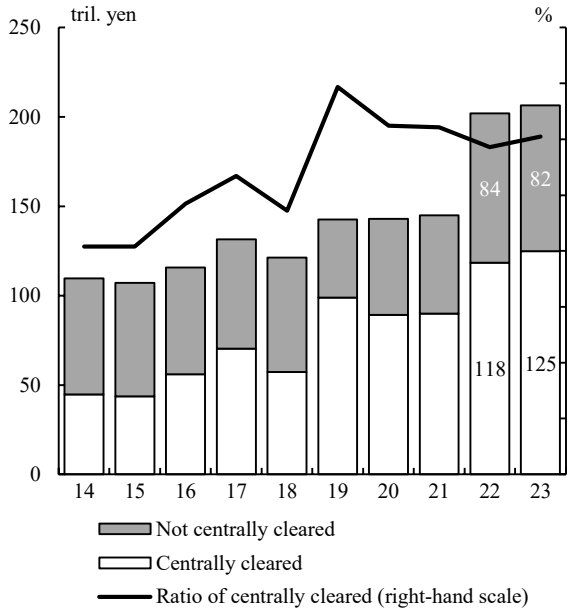
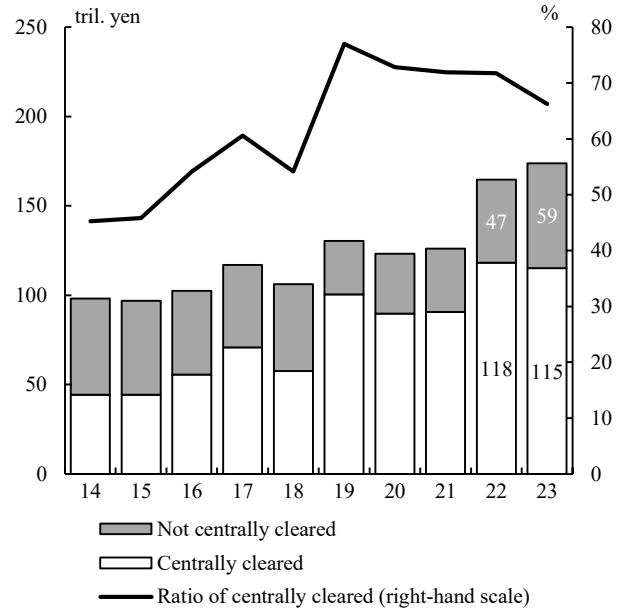


Chart 13: Amount Outstanding in the Repo Market by Settlement Type

Cash Borrowing Side



Cash Lending Side



Note: "Centrally cleared" refers to transactions cleared by Japan Securities Clearing Corporation (JSCC).

Chart 14: Amount Outstanding in the GC Repo Market by Investor Type

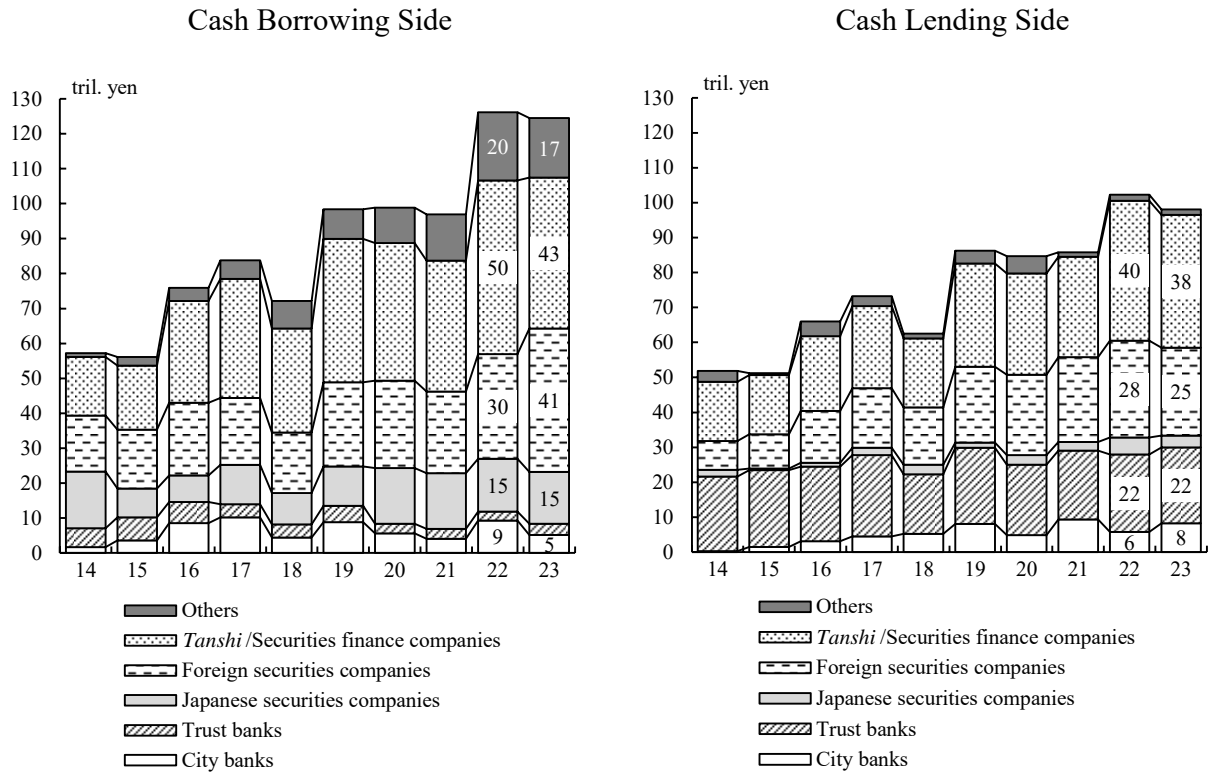


Chart 15: Amount Outstanding in the GC Repo Market by Term

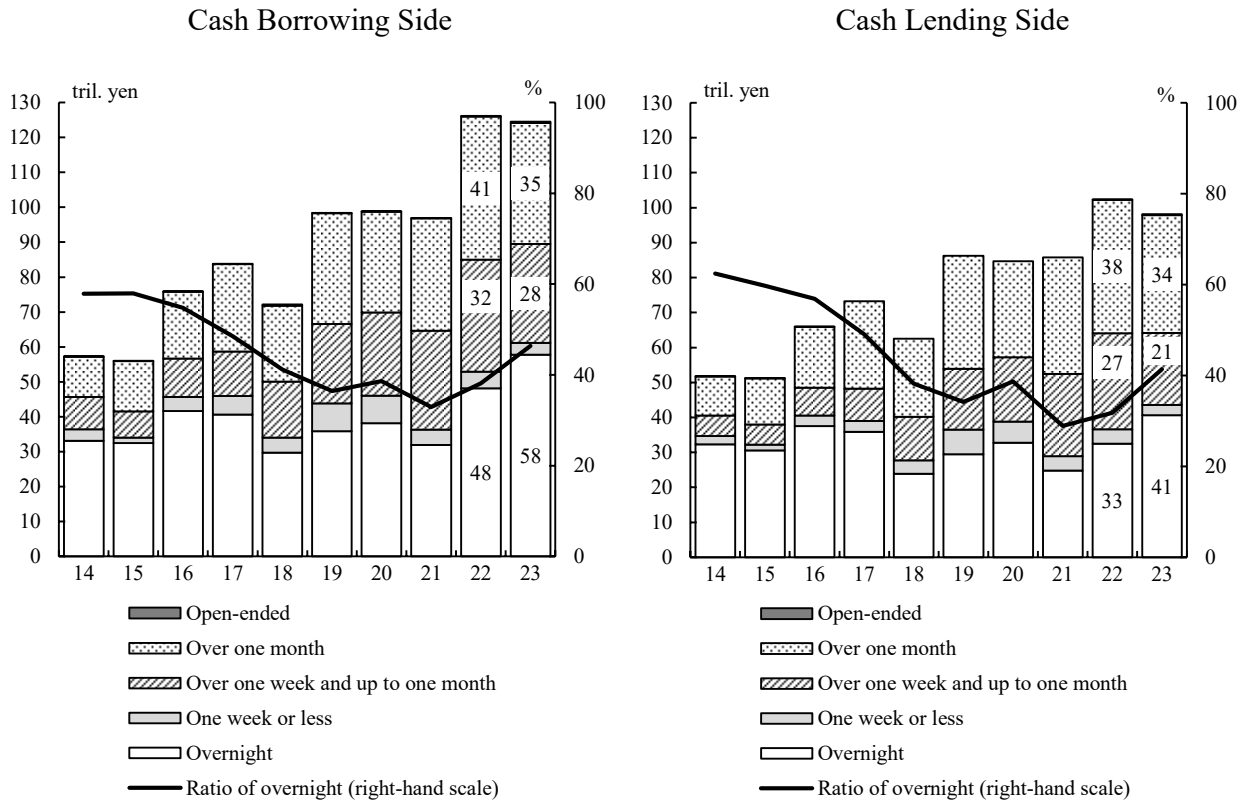
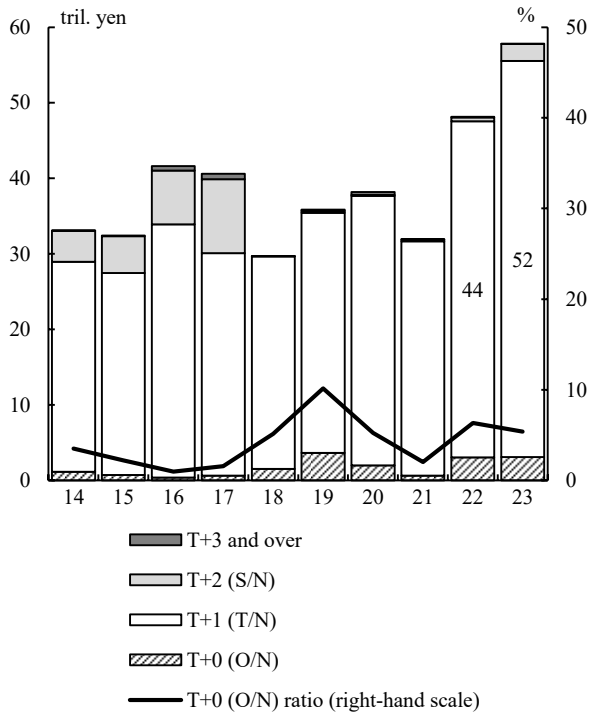
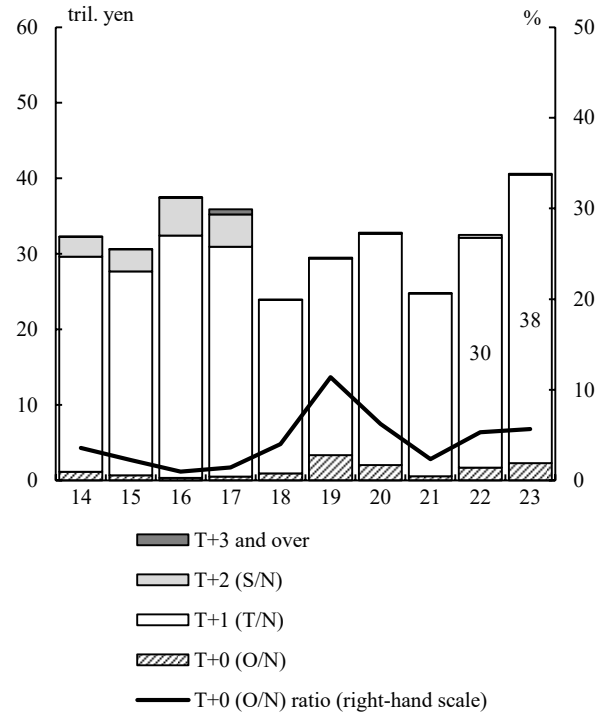


Chart 16: Amount Outstanding in the GC Repo Market by Starting Date
Overnight Transactions

Cash Borrowing Side

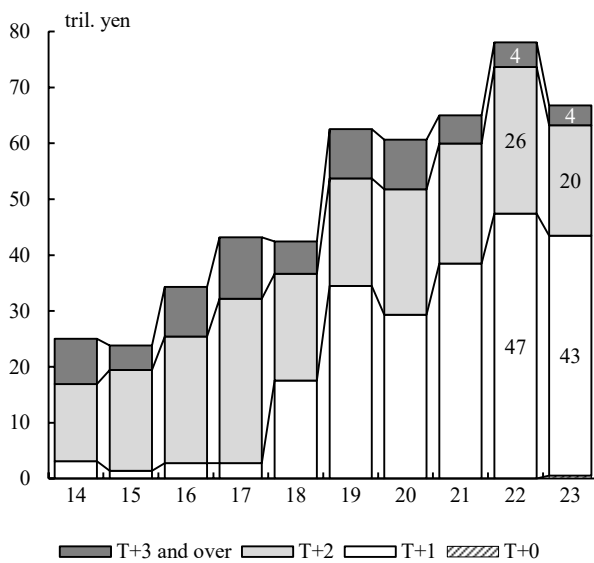


Cash Lending Side



Term Transactions

Cash Borrowing Side



Cash Lending Side

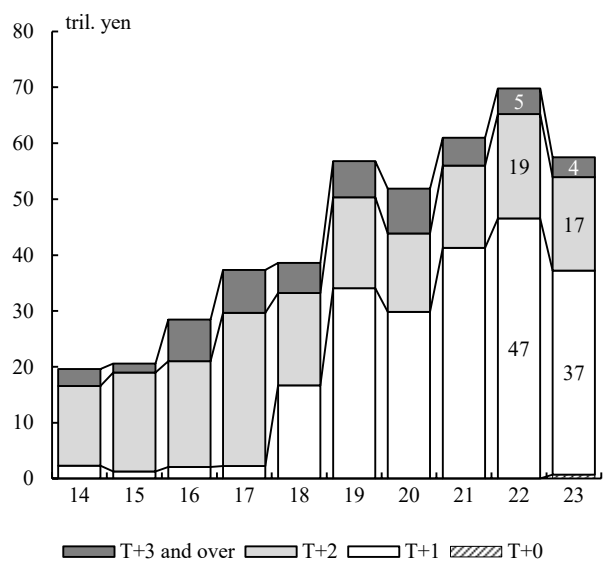


Chart 17: Amount Outstanding in the SC Repo Market by Investor Type

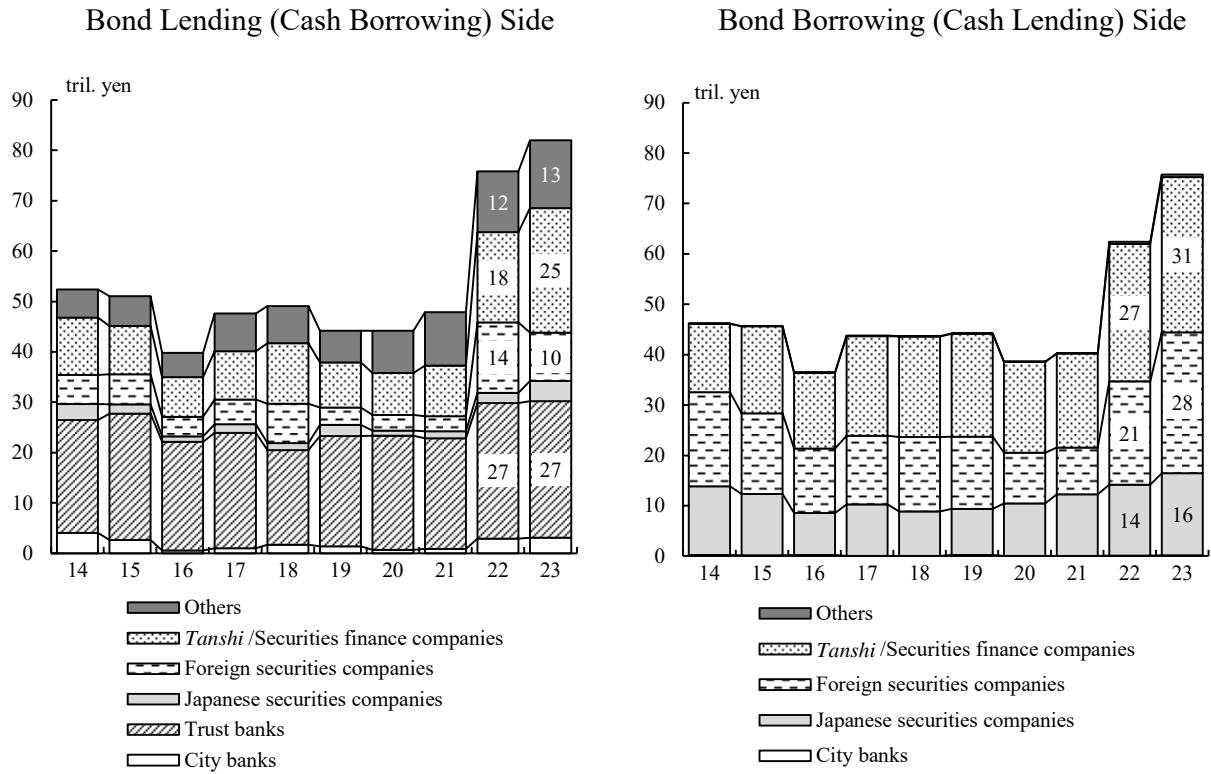


Chart 18: Amount Outstanding in the SC Repo Market by Term

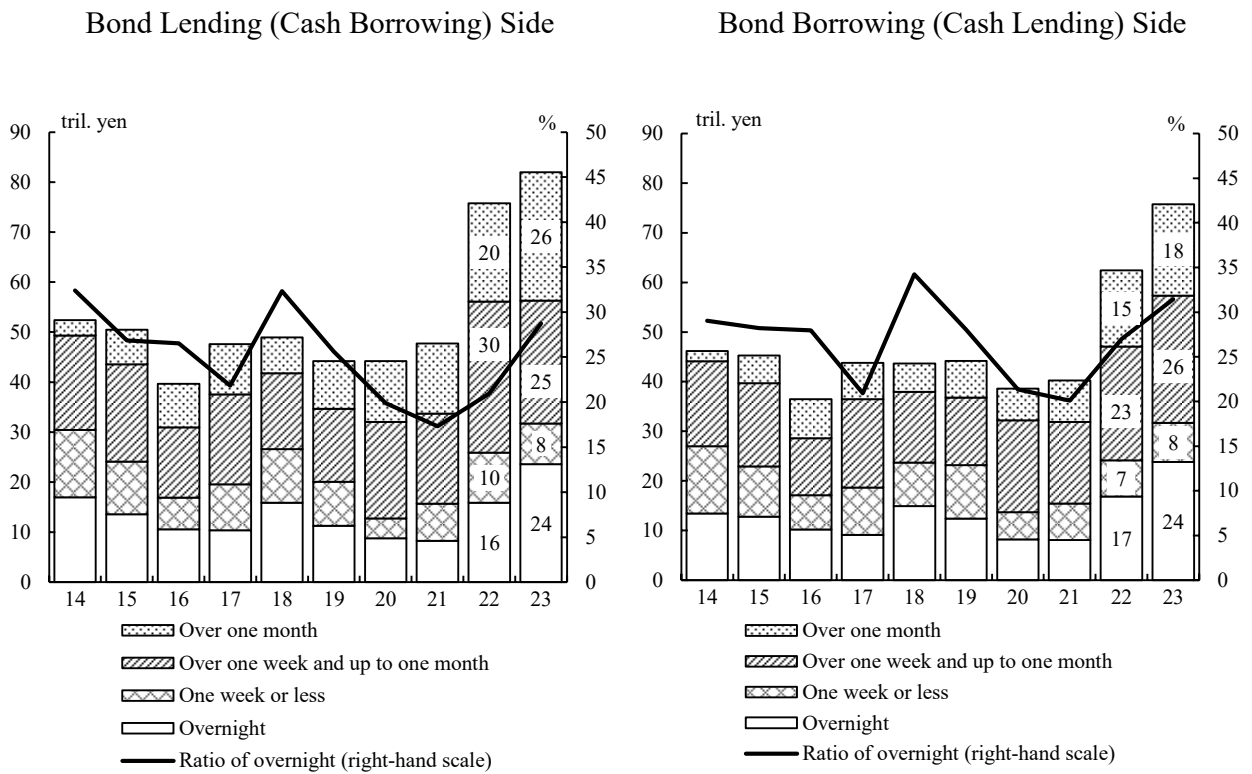
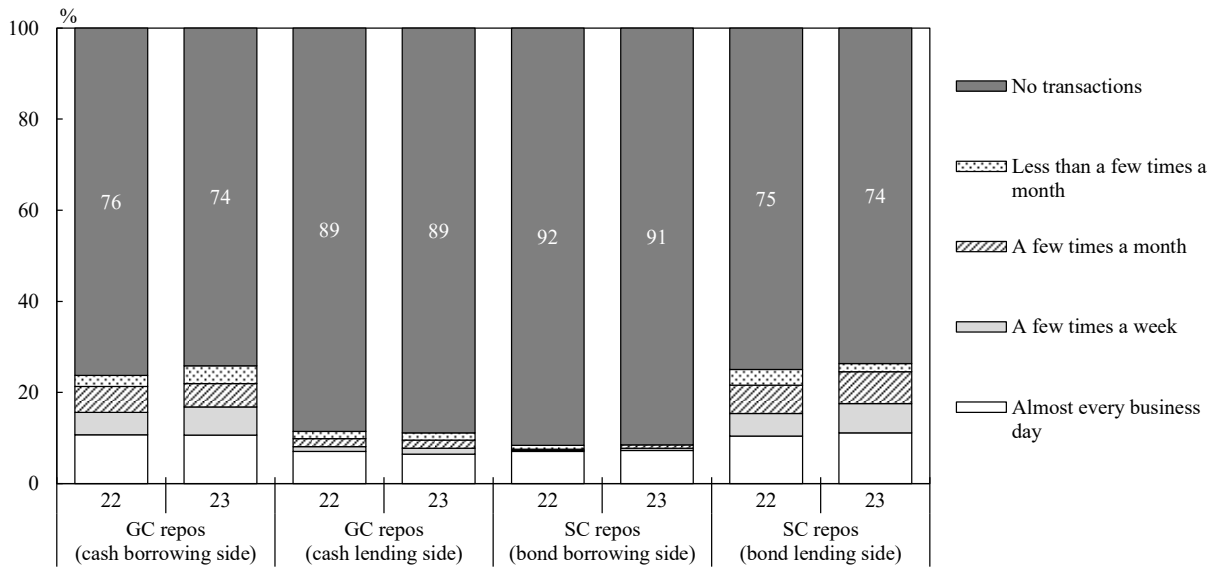


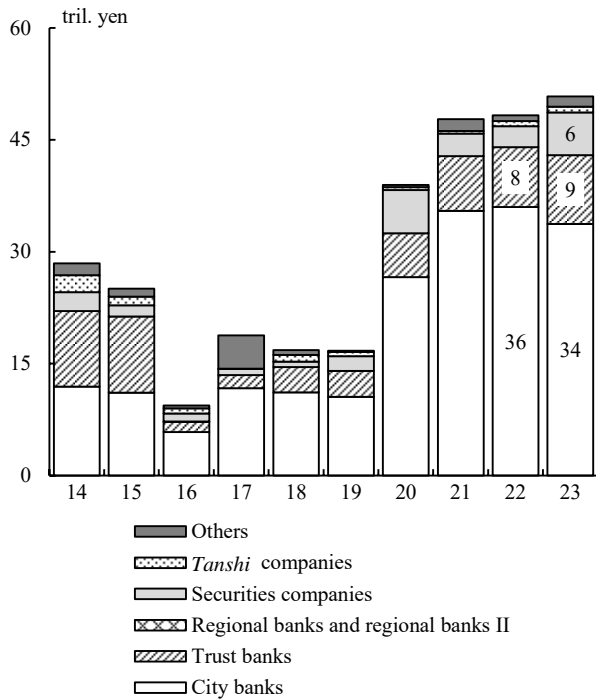
Chart 19: Frequency of Repo Transactions



Note: The percentage of respondents is indicated by contract frequency for repo transactions.

Chart 20: Amount Outstanding of Investment in T-Bills and CP

Amount Outstanding of Investment in T-Bills



Amount Outstanding of Investment in CP

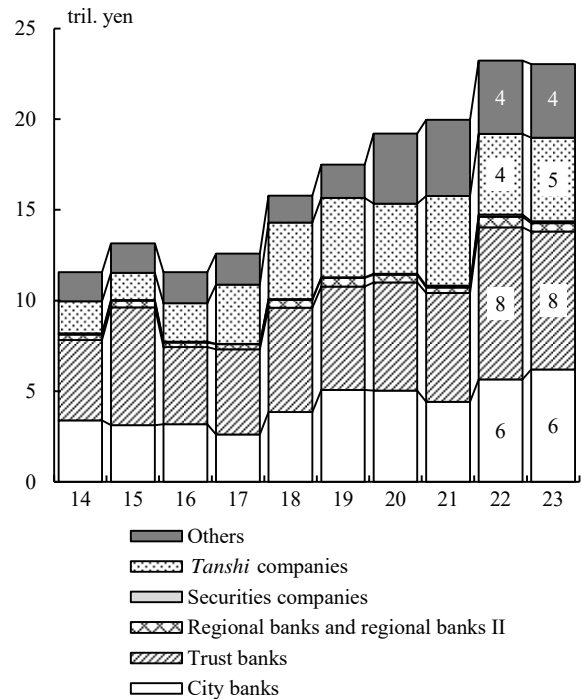
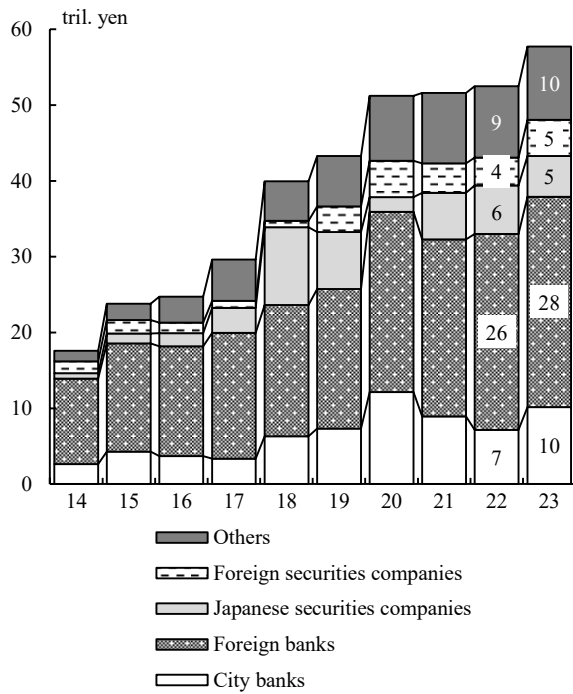
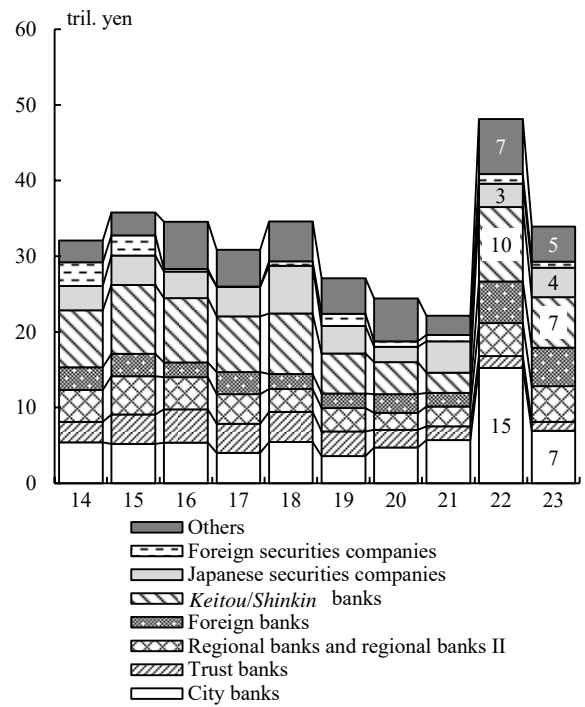


Chart 21: Amount Outstanding of Japanese Yen Fund Transactions with Overseas Counterparties by Investor Type

Japanese Yen Borrowing Side

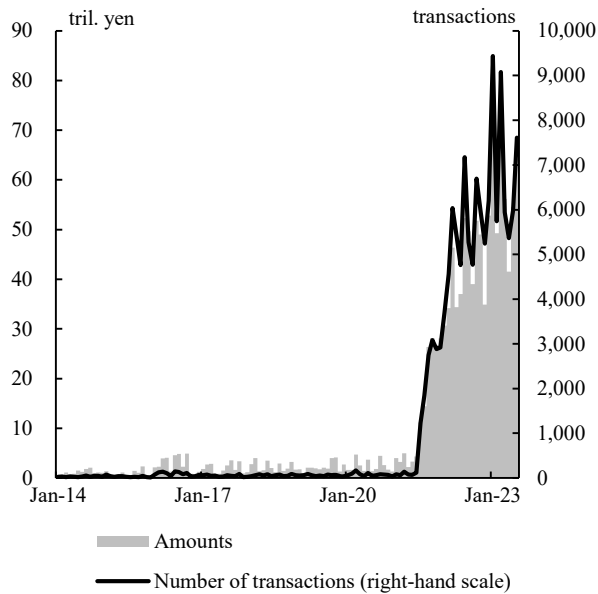


Japanese Yen Lending Side

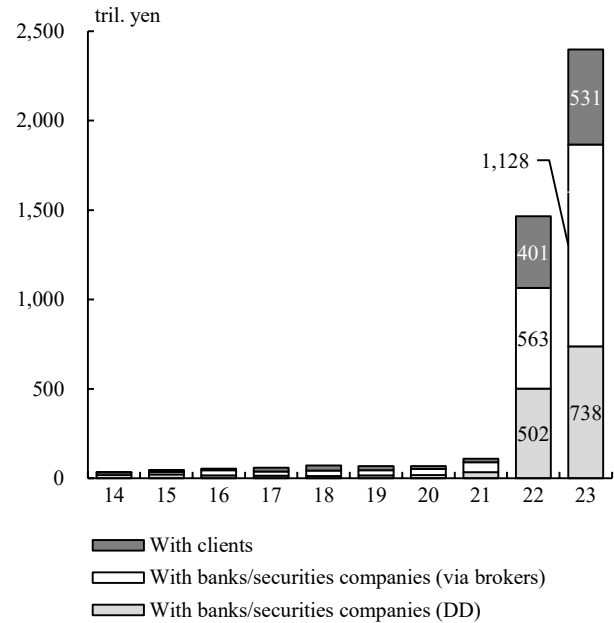


Note: The total of yen lending/borrowing through FX swaps, euro-yen transactions, and with overseas branches and overseas group companies of financial institutions. Excludes transactions with institutional investors and business companies, and other linked transactions.

Chart 22: Yen Overnight Index Swap Market
Volume and Number of Yen OIS Transactions via Brokers **Amount Outstanding in the Yen OIS Market**

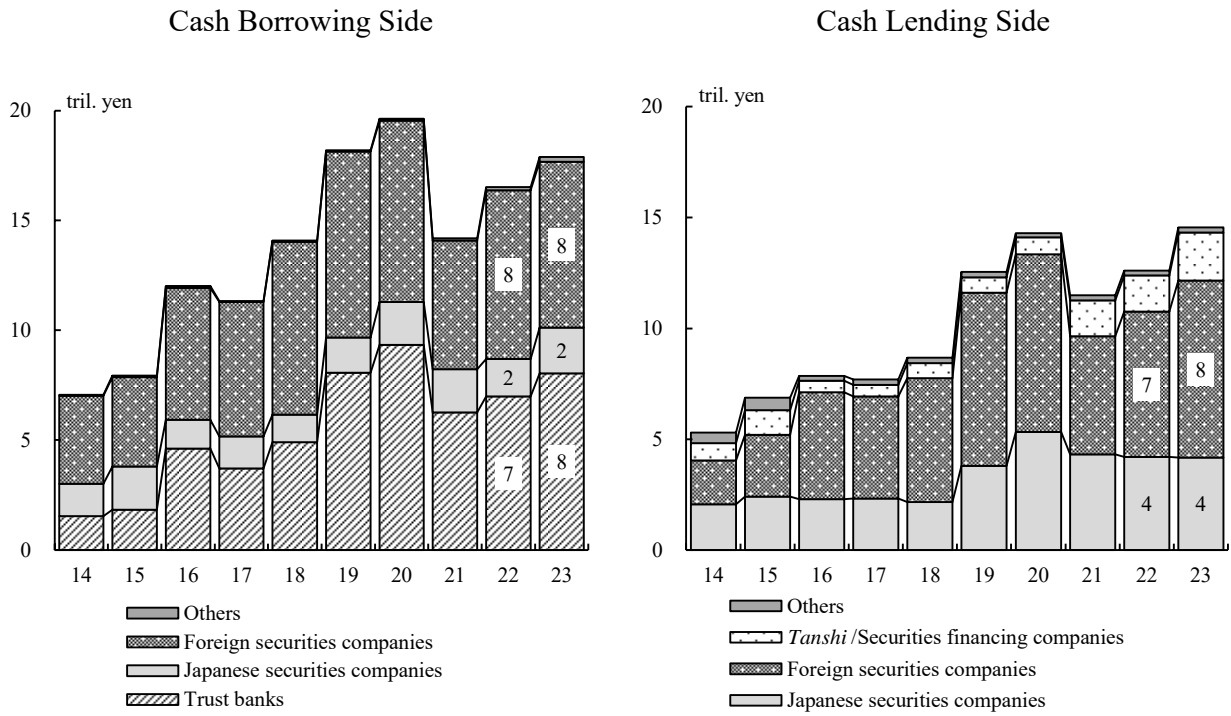


Source: Money Brokers Association.



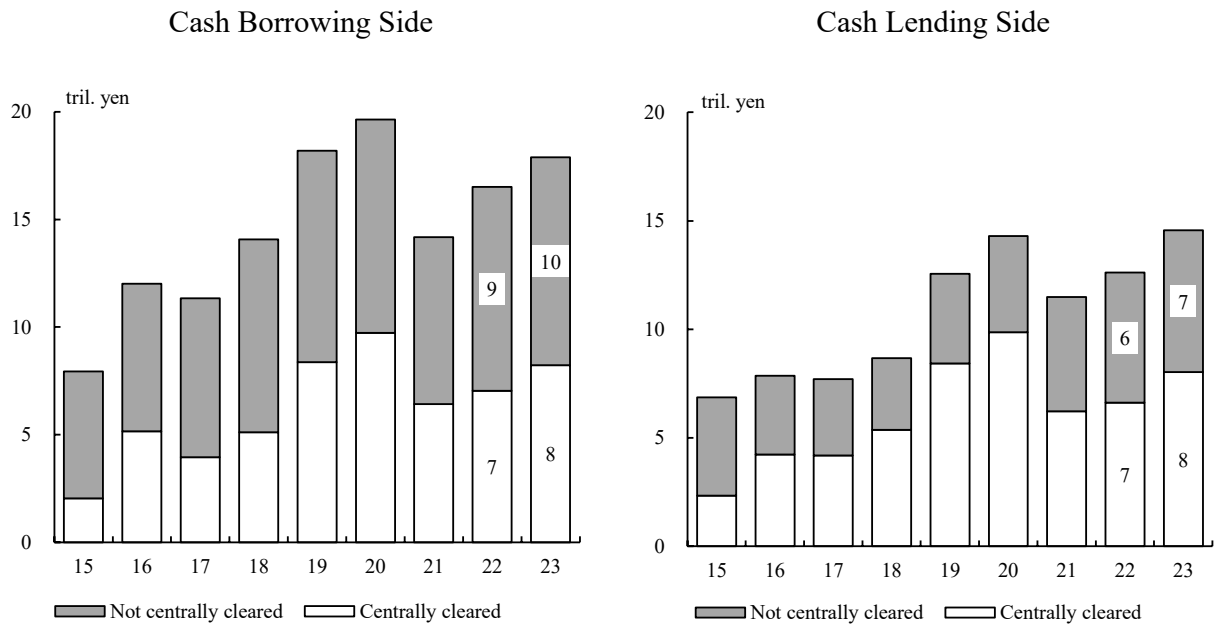
Note: Includes transactions by overseas offices of financial institutions. On the basis of notional amount.

Chart 23: Amount Outstanding in the Equity Repo Market
By Investor Type



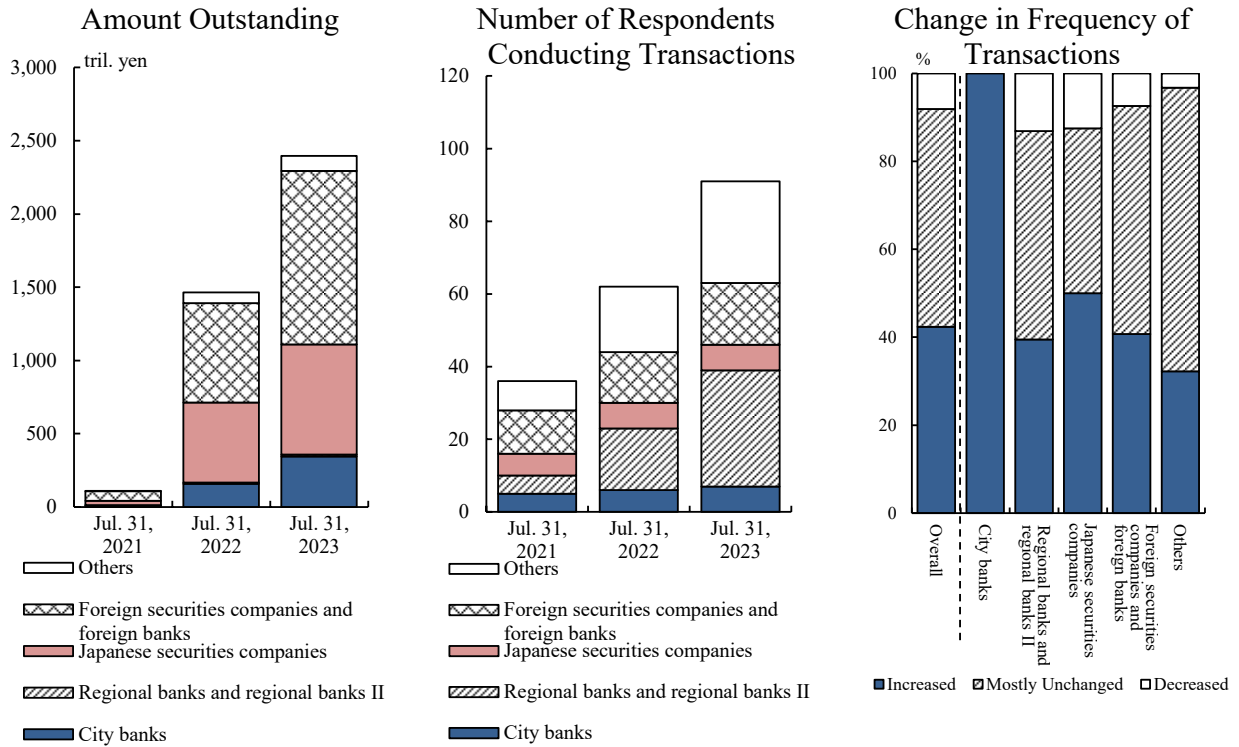
Note: Excludes the institutional credit trading, general margin trading, and equity lending between a financial instruments business operator and a securities finance company. The same applies to the next chart.

By Settlement Type



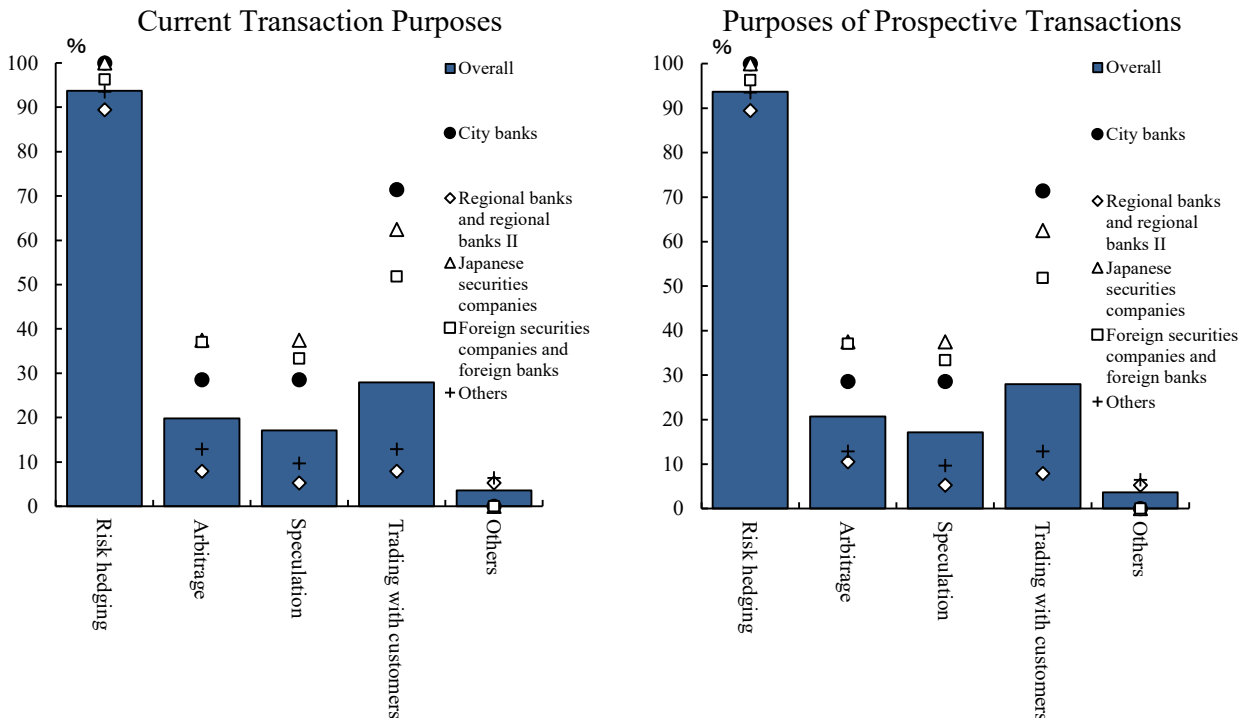
Note: "Centrally cleared" refers to transactions cleared at JASDEC DVP Clearing Corporation.

Chart 24: Yen OIS Transactions and 3-Month TONA Futures
Yen OIS Market



Note: For the left and middle charts, responses were obtained from those who answered that they had an amount outstanding of yen OIS transactions (which were conducted with customers or with banks/securities companies). Figures in the left chart are aggregated on the basis of notional amount. For the right chart, responses were obtained from 111 respondents who answered that they were engaging in yen OIS transactions about the change in the frequency of their OIS transactions from the previous year.

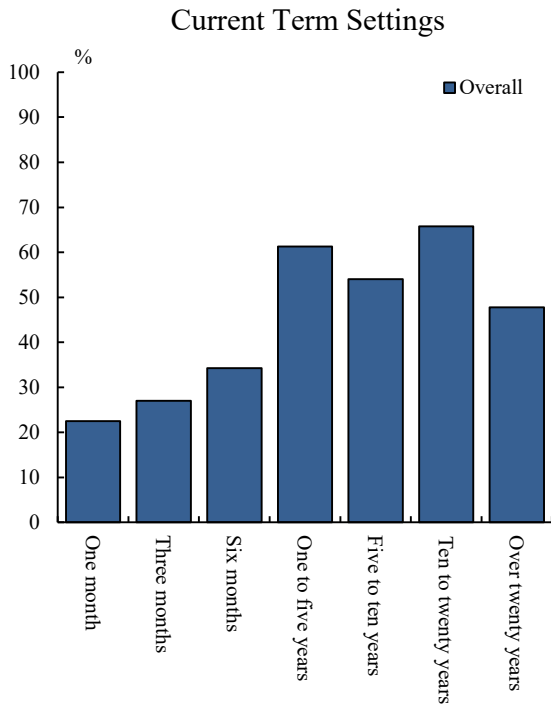
Purposes of Yen OIS Transactions



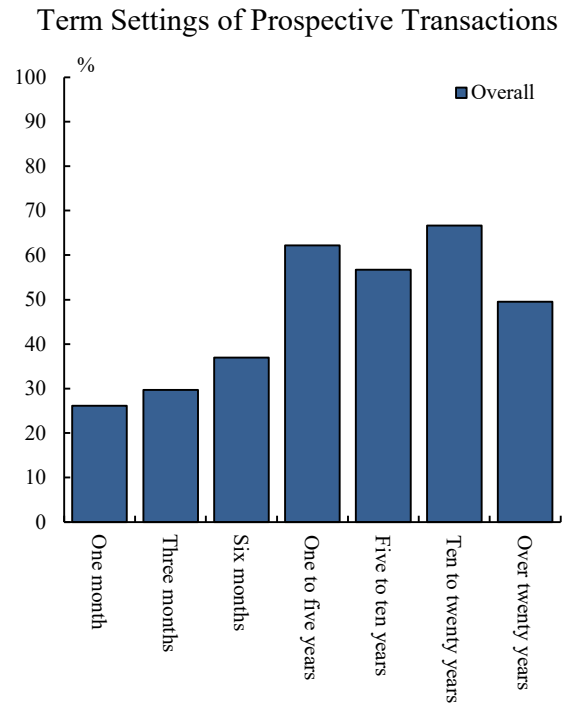
Note: Responses were obtained from 111 respondents who answered that they were engaging in yen OIS transactions. Multiple answers were allowed.

Note: Of the respondents conducting yen OIS transactions, responses were obtained from 111 respondents who answered that they had plans to conduct yen OIS transactions in the next year. Multiple answers were allowed.

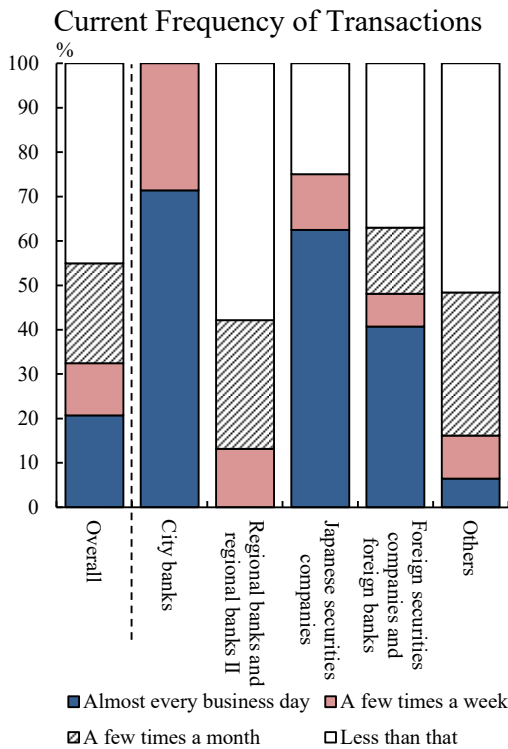
Term Settings of Yen OIS Transactions



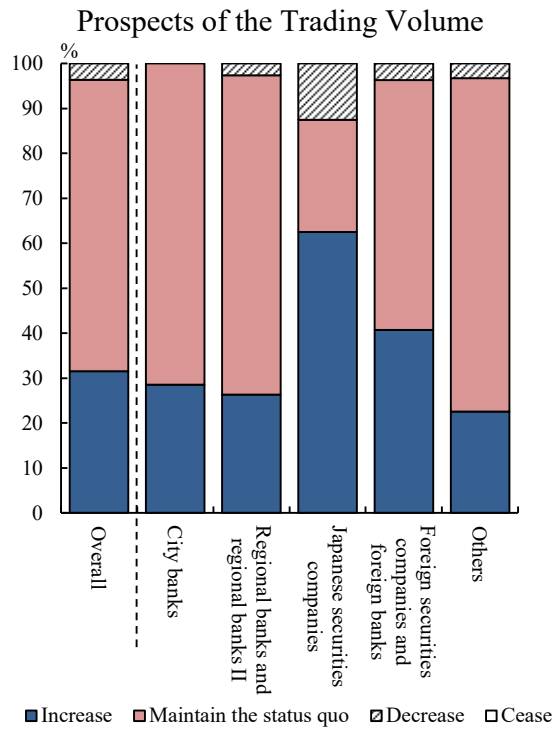
Note: Responses were obtained from 111 respondents who answered that they were engaging in yen OIS transactions. Multiple answers were allowed.



Note: Of the respondents conducting yen OIS transactions, responses were obtained from 111 respondents who answered that they had plans to conduct yen OIS transactions in the next year. Multiple answers were allowed.



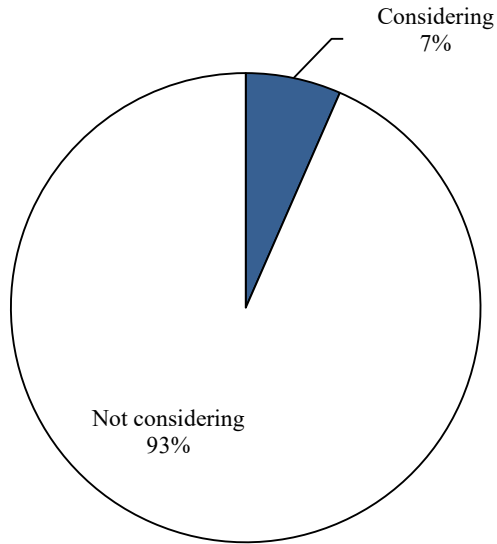
Note: Responses were obtained from 111 respondents who answered that they were engaging in yen OIS transactions.



Note: The prospects of the volume of yen OIS transactions over the next year. Responses were obtained from 111 respondents who answered that they were engaging in yen OIS transactions.

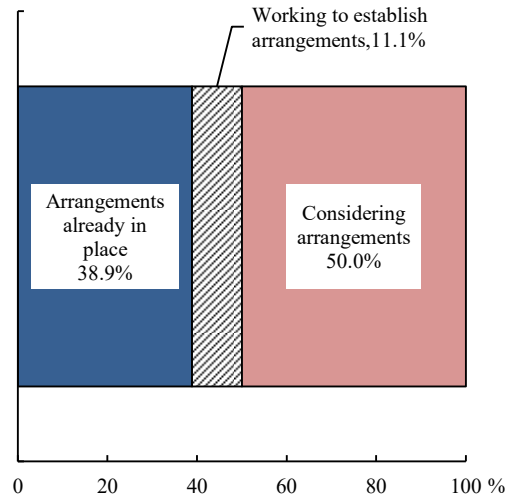
Preparedness for Starting Yen OIS Transactions

Share of Respondents Considering Starting Transactions



Note: Responses were obtained from 274 respondents who answered that they did not have an amount outstanding of yen OIS transactions.

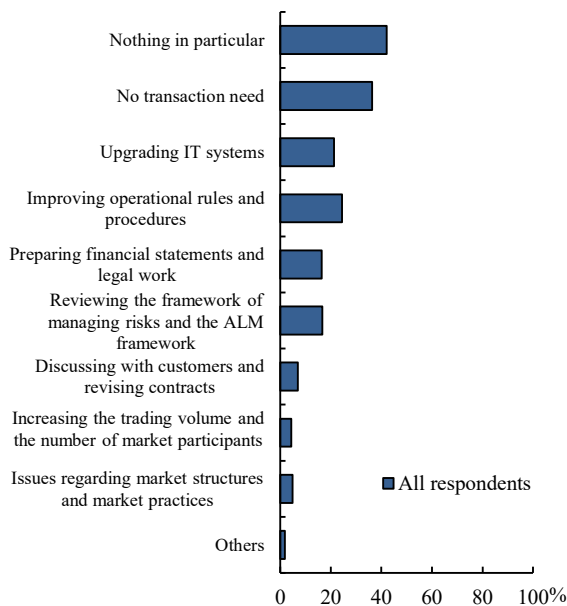
Preparedness for Starting Transactions



Note: Of the respondents without an amount outstanding of yen OIS transactions, responses were obtained from 18 respondents who were considering starting yen OIS transactions.

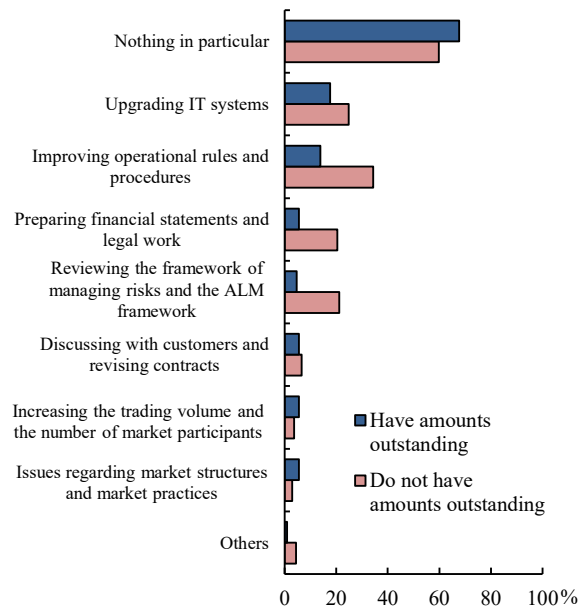
Issues Involved in Increasing and Starting Yen OIS Transactions

All Respondents



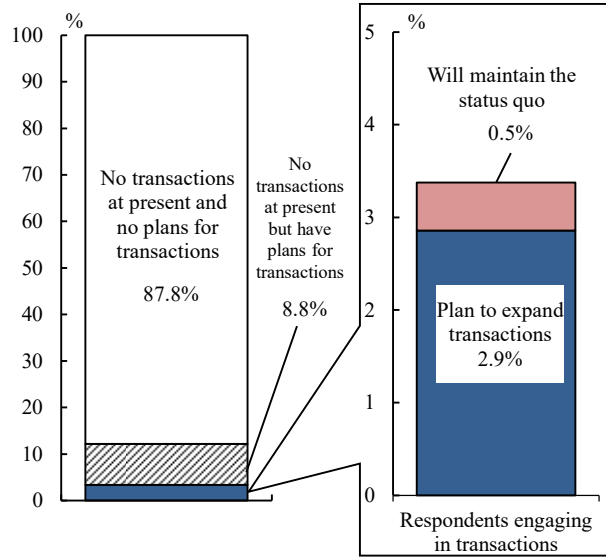
Note: Responses were obtained from 385 respondents, excluding those who did not provide answers.

By Having or Not Having Amounts Outstanding



Note: Responses from those who answered that they "have no transaction need" were excluded. Responses were obtained from 108 respondents with an amount outstanding of yen OIS transactions and 137 respondents without an amount outstanding of such transactions. Multiple answers were allowed.

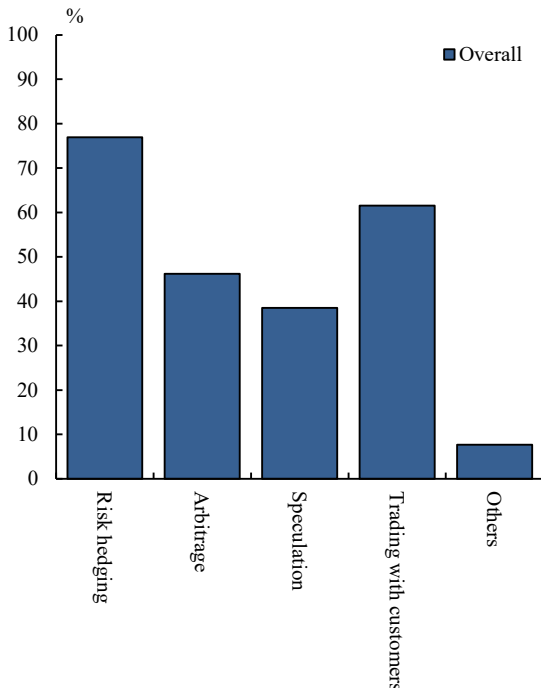
Current and Prospective Use of TONA Futures



Note: Responses were obtained from 385 respondents, excluding those who did not provide answers.

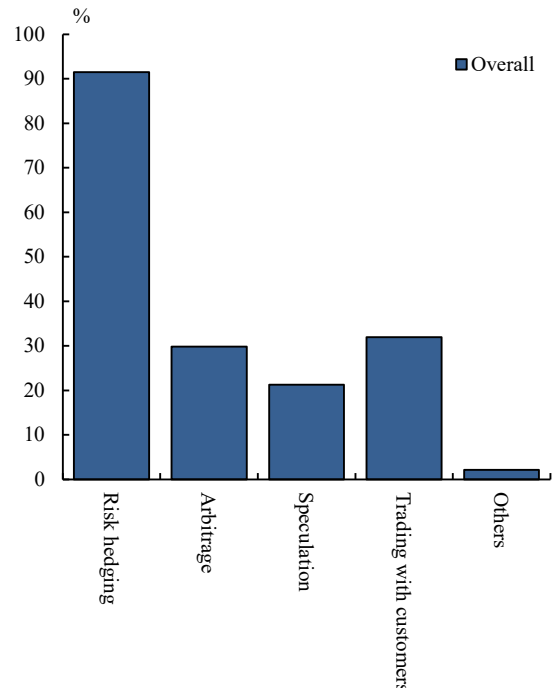
Purposes of TONA Futures Transactions

Current Transaction Purposes



Note: Responses were obtained from 13 respondents who answered that they were engaging in TONA futures transactions. Multiple answers were allowed.

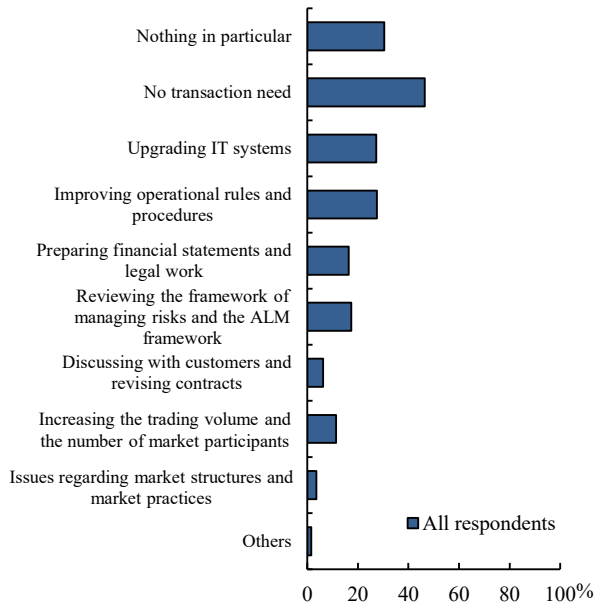
Purposes of Prospective Transactions



Note: Responses were obtained from 47 respondents who answered that they had plans to conduct TONA futures transactions in the future regardless of whether they were engaging in such transactions. Multiple answers were allowed.

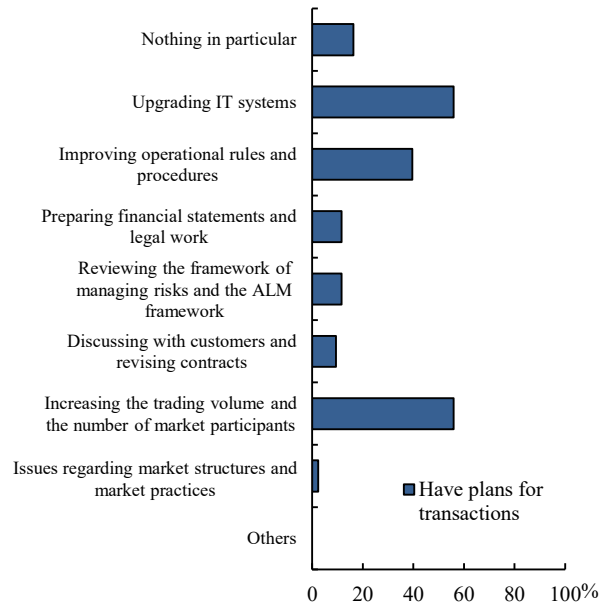
Issues Involved in Increasing and Starting TONA Futures Transactions

All Respondents



Note: Responses were obtained from 385 respondents, excluding those who did not provide answers. Multiple answers were allowed.

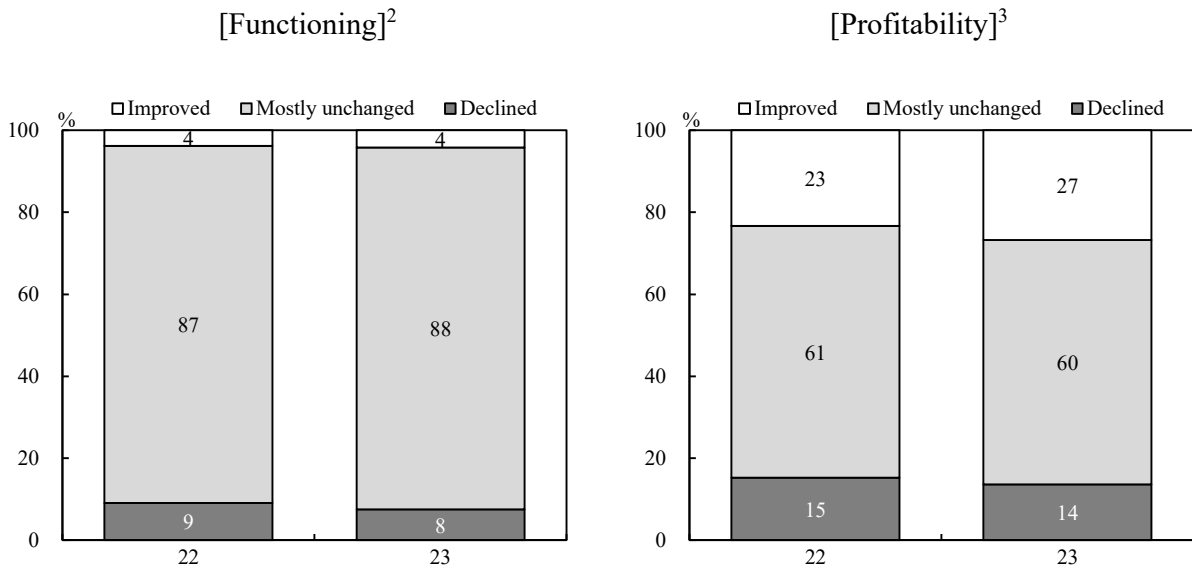
Respondents with Plans for Transactions



Note: Responses from those who answered that they "have no transaction need" were excluded. Responses were obtained from 43 respondents who answered that they had plans to conduct TONA futures transactions in the future regardless of whether they were engaging in such transactions. Multiple answers were allowed.

Chart 25: Perceptions of Market Participants on Money Market Transactions

Money Market¹

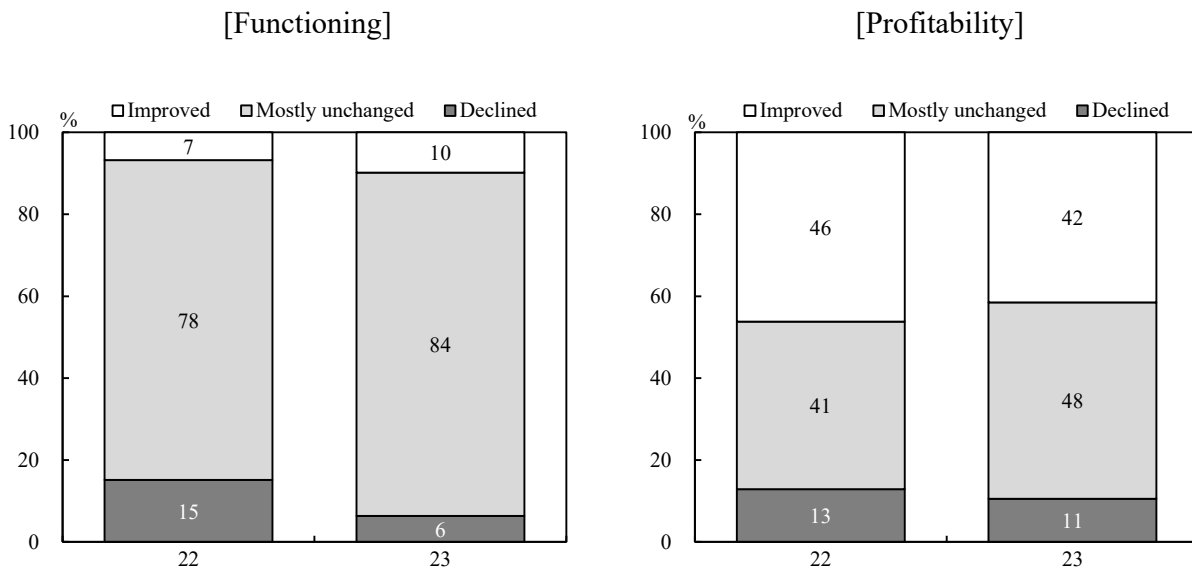


Notes 1: Responses were obtained only from those that were engaged in call money transactions or JGB repo transactions, or in both of them.

2: The question on "Functioning" was designed to find the perceptions of market participants on the change in the functioning of the money market from the previous year, mainly taking into account whether respondents were able to make transactions with intended rates, prices, terms, and counterparties. The same applies to the following results.

3: The question on "Profitability" was designed to find the perceptions of market participants on the change in profitability in the money market from the previous year, mainly taking into account investment yield, funding cost, transaction amounts, and fixed cost. Responses also include those from respondents who posted losses in their total money market transactions. It is considered that they answered "improved (declined)" when their losses shrank (or expanded) from the previous year. The same applies to the results that follow.

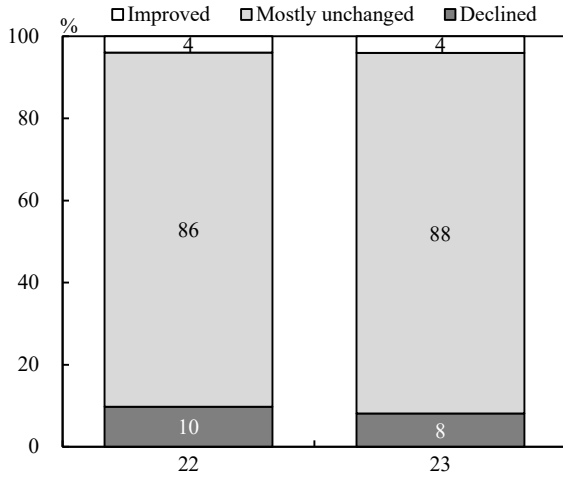
JGB Repo Transactions



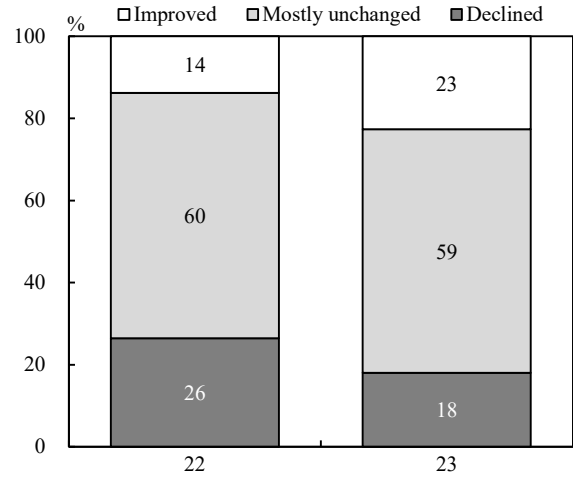
Note: Responses were obtained only from those that were engaged in JGB repo transactions.

Uncollateralized Call Transactions

[Functioning]



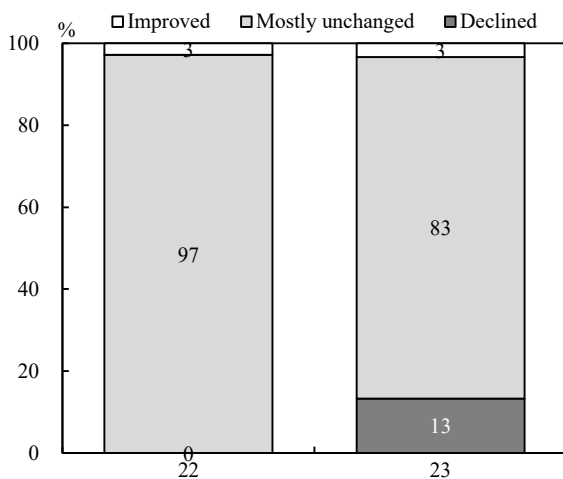
[Profitability]



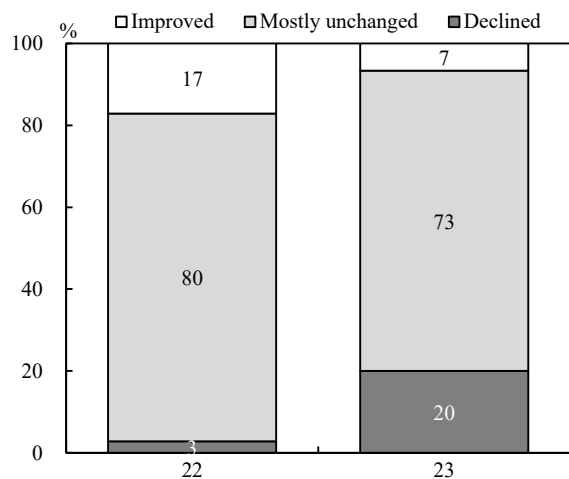
Note: Responses were obtained only from those that were engaged in uncollateralized call transactions.

Collateralized Call Transactions

[Functioning]



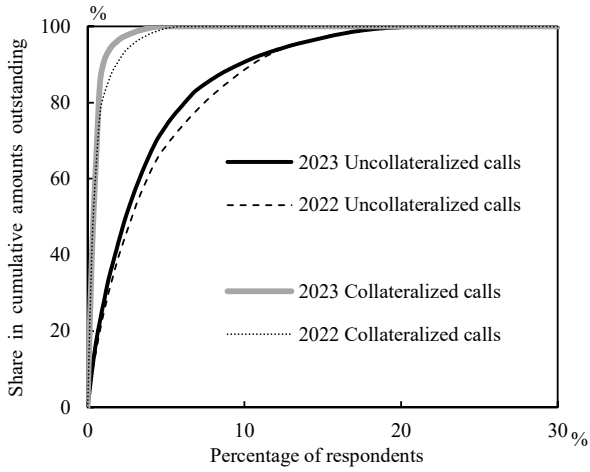
[Profitability]



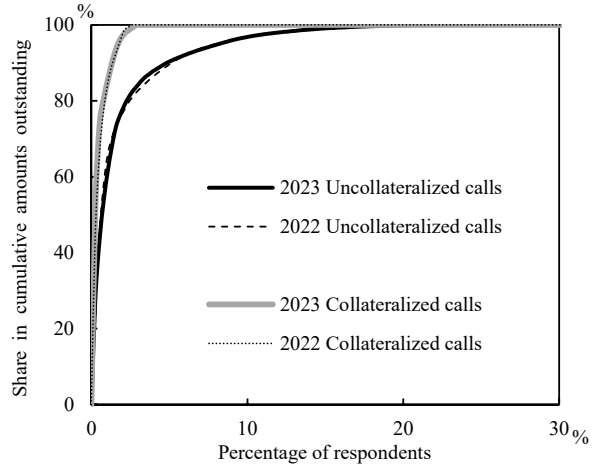
Note: Responses were obtained only from those that were engaged in collateralized call transactions.

Chart 26: Degree of Concentration in Each Market

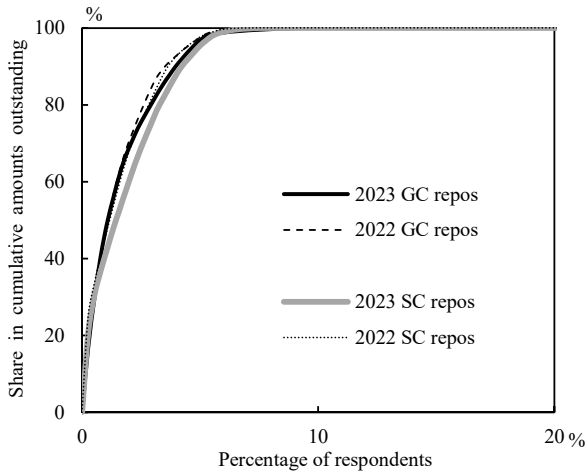
Call Market: Cash Borrowing Side



Call Market: Cash Lending Side



Repo Market: Bond Borrowing Side



Repo Market: Bond Lending Side

