

Implementation of the Bank's Strategic Priorities: Progress Made during Fiscal 2009

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I. INTRODUCTION

In March 2009, the Bank of Japan formulated and released "The Bank of Japan's Strategic Priorities for Fiscal 2009–2011." The Bank conducted its daily business operations for fiscal 2009 in accordance with these Strategic Priorities, which comprise the set of issues to be addressed and concrete measures to be taken during this period.

In fiscal 2009, the Bank generally made the anticipated progress in addressing and implementing

the issues and action plans outlined for fiscal 2009–2011. The following is a detailed evaluation of the Bank's progress made during fiscal 2009.

The Strategic Priorities have a rolling three-year horizon. At the end of every fiscal year, the Bank conducts a performance review and then updates the Strategic Priorities accordingly, resetting the horizon to cover the next three years.¹

II. THE BANK'S PROGRESS IN ADDRESSING ISSUES AND IMPLEMENTING ACTION PLANS IN FISCAL 2009

A. Matters Relating to the Conduct of Monetary Policy

1. The Bank will enhance the quality of its research and analysis regarding developments in economic activity, prices, and the financial environment at home and abroad so as to make appropriate policy decisions. In particular, the Bank will further strengthen its monitoring of the financial environment and analysis related to the relationship between financial and economic activity, taking account of the feedback loop between financial and economic activity in the world economy.

(1) While economic conditions in Japan began to show signs of recovery after deteriorating significantly due to the global financial crisis, uncertainty about future economic and financial developments remained high. Given the situation, the Bank acted to enhance the quality of its research and analysis on developments in economic activity, prices, and the

financial environment so as to make appropriate policy decisions.

(2) In monitoring the financial environment, the Bank conducted an overall assessment of trend improvements in the financial environment and the effects of its policy measures. In addition, bearing in mind the feedback loop between financial and economic activity, the Bank adopted a macroprudential perspective and conducted an extensive analysis of future risks. Refinements were made to the Bank's research and analysis regarding credit markets around the world and cross-border flows of funds.

2. The Bank will deepen such research and analysis not only with regard to advanced economies but also with regard to emerging economies, maintaining close contact with overseas authorities and constantly exchanging information regarding economic and financial conditions.

1. For the text of "The Bank of Japan's Strategic Priorities for Fiscal 2010–2012," see Appendix 2 on pages 76–82.

- (1) The Bank, at various international meetings, exchanged opinions and information with overseas authorities regarding overseas economic and financial conditions; it also made use of central bank networks particularly across Europe, North America, and Asia, to maintain close contact and exchange information constantly.
- (2) The Bank strengthened the systems it has in place for conducting research and analysis regarding emerging economies, and worked to maintain a sound grasp of their economic and financial conditions.
- (3) The Bank needs to respond appropriately to the increasing frequency and heightened importance of communication and information sharing with authorities abroad, particularly those in Europe, North America, and Asia, regarding the conduct of monetary policy.

3. The Bank will conduct money market operations appropriately, with a view to securing the stability of financial markets and the proper functioning of market mechanisms, while ensuring that its business operations are executed and systems are operated with precision and deliberation. It will also make sure that transactions with the government are properly conducted.

- (1) The Bank conducted money market operations flexibly, providing ample funds and promoting a recovery in market functioning, so as to ensure stability in financial markets and to facilitate corporate financing. It also executed business operations and operated related systems with precision and deliberation.
- (2) The Bank ensured that transactions with the government were conducted properly, in accordance

with the relevant laws and regulations.

4. To facilitate the conduct of monetary policy, the Bank will conduct analysis and discuss matters related to the frameworks for money market operations.

- (1) The Bank formulated policy measures and took the following actions as part of its efforts to ensure stability in financial markets and to facilitate corporate financing. For those measures requiring international coordination, it kept in close communication and shared information with other central banks.
 - (a) Expansion of the range of loans on deeds, made to the public sector, to be accepted as eligible collateral.
 - (b) Amendments to eligibility standards for privately-placed municipal bonds.
 - (c) Acceptance of foreign bonds denominated in foreign currencies as eligible collateral.
- (2) With a view to further enhancing easy monetary conditions by encouraging a further decline in longer-term interest rates, the Bank formulated a new funds-supplying operation, whereby funds were provided at a fixed rate against pooled collateral.
- (3) The Bank conducted a review of operational procedures regarding sales of bills with a view to enhancing the flexibility of money market operations.

5. As part of the above process, the Bank will deepen its theoretical and empirical analysis of the conduct of monetary policy as well as further considering strategies for disseminating information regarding monetary policy and for communication with market participants, taking into account related research developments at home and abroad.

- (1) The Bank, taking into account academic discussion

and research developments both at home and abroad, conducted and published the findings of empirical analyses into the policy effects of operations maturing beyond the fiscal year-end as well as measures to facilitate corporate financing.

- (2) The Bank made available on its web site an easy-to-follow list of measures it had implemented in response to the global financial crisis.

6. Taking advantage of Japan's past experiences, the Bank will carry out further analysis and study related to the conduct of monetary policy, in light of the global financial crisis and the policy responses by overseas authorities. The Bank will make use of these findings in exchanging views with other central banks and communicating with the public.

- (1) The Bank carried out research and analysis on the conduct of monetary policy by major overseas central banks. Taking into account not only its findings but also its own experiences during past financial crises, the Bank held vigorous discussions about the conduct of monetary policy with authorities and academics at home and abroad, fully utilizing its attendance at international meetings and opportunities to deliver speeches overseas.
- (2) The Bank conducted research and analysis on economic and price developments at home and abroad, and took active steps to communicate its findings to the public through the release of reports such as the *Bank of Japan Review Series* and the *Bank of Japan Working Paper Series*.
- (3) The Bank conducted comprehensive research and analysis on financial markets both at home and abroad, and released its findings in the *Financial Markets Report* in July 2009 and January 2010.² It

also released the findings of its analysis on financial market developments in the *Bank of Japan Review Series*.

7. The Bank will engage in discussions on various systemic reforms related to monetary policy by, for example, participating in the relevant government advisory councils.

- (1) The Bank actively participated in discussions held at councils and subcommittees of the Financial System Council (FSC), as well as at the Roundtable Committee on Fundamental Issues, established under the auspices of the FSC, with regard to the future of Japanese financial markets and issues to be addressed.

8. The Bank will conduct a broad range of fundamental research in the economics field, as well as in fields related to the infrastructure of the financial system including financial and information technology, and the history of currency and finance. It will make use of these findings in conducting monetary policy. The Bank will strengthen cooperation with other central banks, as well as academics and research institutes both at home and abroad, so as to steadily raise the quality of such research activities. Furthermore, the Bank will make efforts to manage the activities of the Archives and the Currency Museum so as to respond more efficiently to users' needs.

- (1) The Bank carried out research on the conduct of monetary policy and the price volatility of financial derivatives in light of the global financial crisis. Other research in the financial field included research into legal and accounting systems as well as information security, while the Bank also carried out historical

2. The English translation was published in August 2009 and February 2010, respectively.

research into economic conditions and policy responses taken during the interwar period. The Bank published its findings in research papers released mainly by the Institute for Monetary and Economic Studies (IMES), namely, those published in *Monetary and Economic Studies* and the *IMES Discussion Paper Series*.

- (2) The Bank strengthened its links with the academic world, both at home and abroad, as well as with overseas authorities by holding an international conference entitled "Financial System and Monetary Policy Implementation" in May 2009 and, in November, co-hosting a conference with The University of Tokyo on "Developments in Japan's Productivity in the 2000s" (papers available only in Japanese). The Bank worked to raise the quality of its research activities by strengthening cooperation with other central banks and with the academic world, both at home and abroad, through participation in international conferences, workshops, seminars, and joint research.
- (3) For the greater convenience of users, the Bank increased, to some 70,000 titles, the number of documents in its Archives accessible to the public, adding around 22,000 historical official documents held by the Bank; the list of the documents was made available on its web site. While holding feature exhibitions, the Bank's Currency Museum continued to raise efficiency through more effective personnel allocation and by updating the databases listing its collections.

B. Matters Relating to the Financial System

1. The Bank will promptly implement measures deemed necessary to maintain the stability of the financial system, including those as the lender of

last resort.

- (1) During fiscal 2009, the Bank provided no loans pursuant to Articles 37 and 38 of the Bank of Japan Act.
- (2) With the aim of ensuring smooth financial intermediation and financial system stability, the Bank, pursuant to the proviso of Article 43 of the Bank of Japan Act, smoothly implemented purchases of stocks held by financial institutions and provided them with subordinated loans; these measures were taken to reduce market risk associated with the stock holdings of financial institutions and to strengthen their capital bases.

2. The Bank will ensure that it maintains an accurate grasp of business conditions at financial institutions by strengthening the feedback between its on-site examinations and off-site monitoring as well as by conducting them efficiently and effectively. The Bank will also encourage financial institutions to step up efforts to improve their management of risks through activities organized by the Bank's Center for Advanced Financial Technology (CAFT).

- (1) While strengthening the feedback between its on-site examinations and off-site monitoring, the Bank conducted efficient and effective on-site examinations tailored to each financial institution's circumstances. In light of the global financial crisis, the Bank also worked to maintain an accurate grasp of the state of the global financial system, business conditions at foreign financial institutions, and trends in the global business operations of Japanese financial institutions.
- (2) The Bank compiled and released a report on its approach toward improving financial institutions' liquidity risk management.
- (3) The CAFT continued to support financial institutions'

efforts to improve their management of risks and business operations, hosting seminars and workshops on themes such as operational and interest-rate risk management, the advancement of internal auditing at financial institutions, and recent developments in international accounting standards. Based on the experience of the global financial crisis, the CAFT also held discussions with experts and professional practitioners on the future of risk management.

3. The Bank will comprehensively analyze and assess the stability of the overall financial system in Japan and its inherent risks, making use of information obtained through its on-site examinations and off-site monitoring; it will communicate its findings to the public. The Bank will also refine its methods of analysis and assessment, taking into account related research developments at home and abroad.

(1) In the *Financial System Report*, the Bank refined its methods of analysis, placing increased emphasis on the macroprudential analysis of risks in the financial system as a whole. Through such analysis, the Bank examined the stability of Japan's financial system and outlined issues to be addressed in order for financial institutions to continue performing their financial intermediation function smoothly.

(2) It is important for the Bank to further refine its methods for macroprudential analysis and assessment.

4. The Bank will make use of the findings of such analysis in developing financial system policies and implementing monetary policy.

(1) The Bank made use of the findings of its analysis, for example those reported in the *Financial System*

Report, in evaluating future risks to the financial environment.

5. Giving due consideration to Japan's past experiences, the Bank will conduct research and planning regarding the future of the financial system, financial institutions' risk management, and financial regulation and supervision, in light of the turmoil in global financial markets and financial systems. The Bank will make use of the findings to take active part in discussions both at home and abroad, thereby contributing to the stability of the financial system.

(1) The Bank kept up with developments in international efforts toward revising frameworks for financial regulation and supervision. It also kept up with debates, both at home and abroad, on the optimal financial system from a macroprudential perspective as well as debates on financial institutions' risk management and capital management. With a view to maintaining financial system stability, the Bank made use of every available opportunity to publicize its thinking.

(2) The Bank worked in close cooperation with monetary authorities overseas, particularly those in Europe, North America, and Asia, exchanging views and information on the financial system. The Bank must continue to pay due attention to maintaining such channels of communication, given their growing importance.

6. As part of the above efforts, the Bank will actively participate in discussions at various forums, such as meetings of the Group of Seven (G-7) countries, the Financial Stability Forum (FSF),³ and the Basel Committee on Banking Supervision. In this way, the Bank will contribute

3. The FSF has been reestablished as the Financial Stability Board (FSB) with an expanded membership as of April 2009.

to the prompt recovery and improved stability of the global financial system.

- (1) The Bank actively participated in various forums, such as meetings of the Group of Twenty (G-20) countries, the G-7 countries, the Financial Stability Board (FSB), the Bank for International Settlements (BIS), and the International Monetary Fund (IMF), on restoring and improving the stability of the global financial system.
- (2) The Bank also took an active part in discussions in Asia focusing on international financial system stability particularly in the region, at various meetings such as the Executives' Meeting of East Asia-Pacific Central Banks (EMEAP) and the Association of Southeast Asian Nations Plus Three (ASEAN Plus Three), which comprises the ten Member Countries of ASEAN plus Japan, China, and South Korea.

C. Matters Relating to Payment and Settlement Systems and Market Infrastructure

1. With a view to ensuring the smooth operation of the Bank of Japan Financial Network System (BOJ-NET) as well as linked payment and settlement systems, the Bank will execute business and system operations related to the BOJ-NET, including the implementation of business continuity arrangements, in an accurate and stable manner.

- (1) To ensure the smooth operation of the BOJ-NET and linked payment and settlement systems, the Bank executed business and system operations related to the BOJ-NET in an accurate and stable manner. The Bank, with the broad participation of relevant parties, also conducted exercises that assumed disruptions

to the BOJ-NET caused by natural disasters, such as earthquakes, as well as system failures.

- (2) The Bank set up a response team and established a framework to respond flexibly to the outbreak of the H1N1 influenza virus. Taking into account the measures put in place by the Japanese government, it also improved its business continuity arrangements in preparation for a possible outbreak of a highly pathogenic strain of influenza, such as the H5N1 avian influenza.
- (3) The Bank contributed to the strengthening of business continuity arrangements at financial institutions through close and frequent communication. The Bank also provided support for the conduct of market participants' exercises to test the resilience of financial markets in the event of a disaster; these exercises included a hypothetical outbreak of the H5N1 avian influenza, as well as market-wide joint exercises to confirm coordination among money markets, foreign exchange markets, and securities markets.
- (4) The Bank, in cooperation with relevant parties, including ministries and government agencies as well as financial institutions, will need to further enhance business continuity arrangements, so as to be ready for a possible outbreak of the H5N1 avian influenza.

2. In view of changes in the financial environment, such as the diversification of financial instruments and transactions, globalization of financial markets, and advances in information processing technology, the Bank will conduct research and planning to promote improvement in the safety and efficiency of Japan's payment and settlement systems and implement necessary measures accordingly.

(1) The Bank reviewed developments in and identified challenges facing Japan's payment and settlement systems, as well as examining ongoing and future efforts to enhance safety and efficiency; findings were published in papers such as the *Payment and Settlement Systems Report*. The Bank also held a Payment System Forum meeting where it shared with system operators its understanding of challenges facing payment and settlement systems, and encouraged them to make further improvements.

3. The Bank, together with relevant parties, will proceed steadily with the arrangements necessary to implement in fiscal 2011, as scheduled, the second phase of the next-generation real-time gross settlement (RTGS-XG) project of the BOJ-NET Funds Transfer System (BOJ-NET FTS), which will enable large-value payments currently handled by the Zengin Data Telecommunication System (Zengin System) to be brought within the BOJ-NET FTS.

(1) The Bank proceeded as scheduled with the system development process for changes to the BOJ-NET, and, in cooperation with concerned parties, made progress in defining the business requirements of the BOJ-NET as well as in preparing for trial runs of the new system.

(2) The Bank analyzed possible payment patterns after the shift of large-value payments from the Zengin System to the BOJ-NET FTS, in order to support market participants' deliberations on whether changes to market guidelines and other practices would be necessary to prepare for the implementation of the second phase of the RTGS-XG project.

4. Given that almost 20 years have passed since the BOJ-NET came into operation, the Bank will consider how to configure the new BOJ-NET, to

reflect advances in information processing technology and changes in settlement and trading needs during this period, and to promote further improvement in the safety and efficiency of Japan's payment and settlement systems.

(1) The Bank, taking into account comments from interested parties, released the principles guiding development of the new BOJ-NET. The Bank will work toward implementing the first phase of the new BOJ-NET project—covering auction for money market operations and for Japanese government securities (JGS) issues, as well as the transfer of JGSs associated with money market operations—around fiscal 2013, and the second phase—including settlement of funds and that of JGSs—around fiscal 2015.

5. With settlement risk continuing to intensify and become more complex in response to the growing interdependence of payment and settlement systems worldwide, the Bank will strengthen its oversight, firmly monitoring the safety and efficiency of payment and settlement systems from the standpoint of the central bank and encouraging relevant parties to make improvements.

(1) The Bank conducted oversight to improve the safety and efficiency of payment and settlement systems as follows.

(a) The Bank, based on lessons learned from the failure of Lehman Brothers, encouraged and supported improvements in the risk management of individual payment and settlement systems. It also held discussions with system operators to form a common understanding regarding compliance with international standards.

(2) Based on these oversight activities, and taking into

account the approaches taken by overseas central banks, the Bank worked toward updating its policy on the oversight of payment and settlement systems (issued as the "Policy on Oversight of Payment and Settlement Systems" on May 14, 2010).

6. With a view to further enhancing the stability and efficiency of financial markets and in consideration of developments in global financial markets, the Bank will carry out research and planning related to improving financial market structures and strengthening market infrastructure. It will work toward securing improvements in these areas, in discussion and cooperation with relevant parties at home and abroad.

- (1) With a view to improving the stability and efficiency of financial markets and in consideration of recent adjustments to the global financial market infrastructure, the Bank took part in international reviews on arrangements for over-the-counter (OTC) derivatives and repo transactions, and supported market participants' deliberations on the following issues:
 - (a) Review of current practices for dealing with settlement fails in JGS markets and recommendations for improvement.
 - (b) Shortening of the JGS settlement cycle.
 - (c) Invigoration of corporate bond markets.
 - (d) Improvement in the transparency of securitized products and invigoration of these markets.
 - (e) Establishment of central counterparty (CCP) functions for OTC derivatives transactions.
- (2) With a view to improving the functioning of repo and JGS markets, the Bank, focusing on issues such as current practices for dealing with settlement fails, gave a public speech and released a research paper as part of the *Bank of Japan Review Series* in

October 2009 (paper available only in Japanese).

7. The Bank will contribute to the stability of the international currency system by, for example, promoting efforts to ensure the stability of the currency system in Asia, and strengthening cooperation with overseas authorities, especially central banks, through personnel exchange and technical assistance.

- (1) The Bank took the following actions so as to promote efforts to ensure the stability of the currency system in Asia, and to strengthen cooperation with overseas authorities, especially central banks.
 - (a) The Bank chaired meetings of the EMEAP Working Group on Financial Markets four times in fiscal 2009 and, working in close cooperation with overseas central banks, promoted the Asian Bond Fund 2 Initiative, which invests in bonds denominated in local currencies, to foster and develop efficient financial markets in Asian economies.
 - (b) Under the framework of ASEAN Plus Three, the Bank, together with the Ministry of Finance, contributed to the further strengthening of financial cooperation in Asia, for example via the launch of the Chiang Mai Initiative Multilateralization (CMIM), as well as to the development of regional corporate bond markets via the establishment of the Credit Guarantee and Investment Facility (CGIF) as a trust fund of the Asian Development Bank (ADB). The Bank also agreed with the Bank of Korea to extend the measure to increase the maximum amount of the bilateral yen-won swap arrangement. In addition, the Bank, acting as the agent for the Minister of Finance of Japan, increased the maximum amount of the bilateral swap arrangement with

Bank Indonesia that enabled Indonesia to swap the Indonesian rupiah against the U.S. dollar.

(c) The Bank continued to build on existing schemes for technical assistance and personnel exchange by, for example, holding a variety of seminars for central banks and governments in Asia and inviting lecturers from overseas.

(d) The First Tripartite Governors' Meeting of the Bank, the People's Bank of China, and the Bank of Korea was held in Shenzhen, China, in order to strengthen communication among them.

8. The Bank will manage its foreign currency assets in a stable and efficient manner and promote the automated processing of its business procedures.

(1) The Bank promoted the automated processing of the payment and settlement procedures involved in managing its foreign currency assets.

(2) The Bank managed its foreign currency assets in a stable and efficient manner, in accordance with the "Basic Guidelines for the Management of External Assets Held by Bank of Japan."

9. The Bank will obtain information on global financial markets via, for example, the monitoring of market developments involved in managing its foreign currency assets; the information will be utilized in conducting monetary policy.

(1) The Bank obtained information on global financial markets via, for example, the monitoring of market developments involved in managing its foreign currency assets; the information was utilized in research and analysis to facilitate the conduct of monetary policy.

10. The Bank will, with precision and deliberation, carry out international operations on behalf of the government and assist overseas central banks in their investment in yen assets.

(1) The Bank carried out international operations on behalf of the government with precision and deliberation. It also offered appropriate assistance to overseas central banks, providing services including acceptance of yen deposits to facilitate their investment in yen assets.

D. Matters Relating to the Regional Economic and Financial Environment

1. The Bank will maintain a firm grasp of regional economic and financial conditions, making use of its nationwide network of branches and offices to keep up a close dialogue with local financial and business communities. The Bank will make use of its findings in its conduct of monetary policy and other actions.

(1) The Bank maintained a firm grasp of regional economic and financial conditions obtained via interviews carried out at its Head Office and branches, and produced up-to-date reports summarizing related information. The Bank made use of its findings in its conduct of monetary policy and other actions.

2. The Bank will continue its efforts to strengthen relations with local communities by sharing the results of research and analysis on regional economic and financial developments through, for example, the regular release of the *Regional Economic Report* and by carrying out public relations activities at its branches and offices.

(1) Findings from the Bank's research and analysis on developments in regional economies were compiled and published quarterly in the *Regional Economic Report*.

(2) The Bank made continued efforts to disseminate the results of its research and analysis on regional

economic and financial developments and to strengthen relations with local communities by, for example, organizing events such as speeches that provided opportunities to explain its policies and business operations.

3. The Bank will strengthen its grasp of business conditions at regional financial institutions through its on-site examinations and off-site monitoring. The Bank will also carry out more in-depth discussions with regional financial institutions on issues relating to business conditions.

(1) The Bank strengthened its grasp of business conditions at regional financial institutions by refining its on-site examinations and off-site monitoring. The Bank also maintained a close dialogue with top management at regional financial institutions, through activities such as those organized by the Bank's CAFT.

4. The Bank will support regional financial institutions' efforts to improve their management of risks through, for example, local seminars organized by the Bank's CAFT.

(1) The CAFT hosted a total of eight seminars at the Bank's Head Office and branches on themes such as the advancement of operational risk management and internal auditing at financial institutions. In addition, the Bank released a research paper explaining progress in the development of shared accounting systems among regional financial institutions and detailing the risk management challenges accompanying such systems.

5. The Bank will continue to ensure the smooth and high-quality implementation of central banking operations in each region by executing all related business with precision and deliberation, thereby

contributing to regional economic and financial development.

(1) The Bank continued to ensure that all operations were executed with precision and deliberation at its offices.

E. Matters Relating to Banknotes, Treasury Funds, and JGS Services

1. Matters Relating to Banknotes

a. The Bank will continue to work toward securing confidence in the currency by executing with precision and deliberation all related business, for example, maintaining the cleanliness of banknotes in circulation and promoting the smooth supply of cash.

(1) The Bank maintained the cleanliness of banknotes in circulation by ensuring the smooth supply of clean banknotes at the windows of its Head Office and branches and by examining the banknotes it received. It conducted a quarterly survey on damaged banknotes, putting the results to use in its examination of banknotes.

(2) In order to strengthen the emergency response capability of its cash handling services, the Bank continued its efforts to ensure it had the necessary quantity of banknotes at its Head Office and branches for maintaining circulation, and improved reciprocal back-up arrangements between the Head Office and the banknote operations center in Toda City, Saitama Prefecture.

b. As part of the above efforts, the Bank will conduct further research on anti-counterfeiting technologies and enhance the counterfeit detection features of cash processing machines. The Bank will also work to prevent counterfeiting by enhancing communication and cooperation

with relevant parties, including ministries and government agencies at home as well as other central banks, and by improving public relations activities aimed at achieving better public understanding of anti-counterfeiting measures.

- (1) The Bank steadily replaced its automatic banknote examination machines with those with a flexible counterfeit detection feature.
- (2) With a view to preventing counterfeiting, the Bank enhanced communication and cooperation with relevant parties and other central banks. It also conducted research and development toward updating the counterfeit detection technology used in automatic banknote examination machines. Meanwhile, the Bank worked on public relations activities to achieve better public understanding of anti-counterfeiting measures.

c. In light of more widespread outsourcing of financial institutions' cash handling operations, the Bank will move forward with measures aimed at extending the range of entities to which financial institutions can outsource the deposit/withdrawal of banknotes and coins with/from the Bank. The Bank will also provide financial institutions with a new method for withdrawing cash from their current accounts at the Bank that replaces the presentation of BOJ checks.

- (1) The Bank continued to look into including private security and transportation companies among the entities to which financial institutions can outsource the deposit/withdrawal of banknotes and coins with/from the Bank's branches. The Head Office has already accepted the use of such companies.
- (2) The Bank began to offer financial institutions with a new method for withdrawing cash from their current accounts at the Head Office that replaces the

presentation of BOJ checks.

- d-1. **The Bank will work to improve the efficiency of its channels for supplying cash, including coins.**
- d-2. **With regard to banknote examination, the Bank will examine likely changes in the future workload at its Head Office and branches in view of recent changes in the delivery routes of banknotes between financial institutions and the Bank. The Bank will then reappraise the division of roles between its Head Office and branches, as well as among branches, in addition to its operational framework for examining banknotes. Through these efforts, the Bank will seek to make its operational framework for cash handling even more stable and efficient.**

- (1) The Bank worked to maintain a firm grasp of trends in cash circulation, through close dialogue with financial institutions and cash service providers. Based on information gathered, the Bank reviewed the methods for transporting cash between its Head Office and branches, as well as among branches, with a view to improving efficiency; it also strengthened support arrangements among cash handling locations.
- (2) With regard to banknote examination, the Bank will continue its reappraisal of the division of roles between its Head Office and branches, as well as among branches, in addition to its operational framework for examining banknotes.

2. Matters Relating to Treasury Funds and JGS Services

- a. **The Bank will ensure the appropriate provision of treasury funds and JGS services by executing all related business with precision and deliberation.**

(1) The Bank executed the provision of treasury funds and JGS services with precision and deliberation. It also took initiatives to streamline and computerize related business processes.

b. The Bank, responding steadily to the various institutional changes surrounding treasury funds and JGS services, will contribute to efforts to improve the convenience of services for the public and to reform the JGS market.

(1) The Bank responded steadily to institutional changes related to the Social Insurance Agency reform, as well as to reforms in the JGS market, including the issuance of new types of JGSs.

(2) As regards online processing of treasury funds, the Bank made efforts to improve the user-friendliness of its services by introducing a direct electronic payment method for the public to pay taxes, tariffs on air cargoes, and fees to the government.

c. With regard to the online processing of treasury funds, the Bank will conduct a comprehensive interim assessment of all measures to date, followed by a systematic review of related future initiatives.

(1) The Bank compiled and analyzed the basic data needed to conduct an interim assessment of measures to bring the processing of treasury funds online.

(2) The Bank will discuss the introduction of direct electronic payment of taxes, tariffs, and fees to the government, as well as the centralized online payment of salaries for government employees; based on these discussions, it will then conduct a comprehensive interim assessment followed by a review of all related future initiatives.

d. The Bank will examine likely changes in the future workload involved in providing treasury

services at its Head Office and branches, in view of institutional changes related to the services. The Bank will then reappraise the division of roles between its Head Office and branches, as well as among branches, in addition to its operational framework for the services. Through these efforts, the Bank will seek to make its operational framework for providing treasury services even more stable and efficient.

(1) The Bank compiled and analyzed the basic data necessary to examine likely changes in the future workload involved in providing treasury services.

(2) The Bank will continue its efforts to improve treasury services, by reappraising the division of roles between its Head Office and branches, as well as among branches, in addition to its operational framework for providing treasury services.

F. Matters Relating to Communication with the Public

1. The Bank will work to achieve more fully effective and efficient communication with the public so as to ensure the transparency of its policies and overall business operations. As part of this effort, the Bank will enhance its dissemination of English-language materials, and conduct a comprehensive review of the various reports and research papers it releases.

(1) The Bank worked to enhance its communication with the public, for example, providing a clear explanation of its thinking on the most recent conduct of monetary policy at the regular press conferences by the Governor held after every Monetary Policy Meeting (MPM), as well as on other occasions involving Bank officials, such as speeches and meetings both at home and abroad, TV appearances, and interviews

including those with overseas media.

- (2) In accordance with the Bank of Japan Act, the Bank submitted two issues of the *Semiannual Report on Currency and Monetary Control* to the Diet in fiscal 2009, in June and December; it also explained these to the Diet in April 2010. Bank officials, including the Governor, appeared before committees of both houses of the Diet when requested to answer questions. Appearances took place on a total of 29 days in fiscal 2009.
- (3) The Bank hosted various public relations events at its Head Office in Tokyo: in-house tours for families with children during school holiday seasons in summer and spring; public lectures and an exhibition, about the history of the Japanese currency, the Bank, and the Old Building—designated an important cultural property—in November 2009; and, in December 2009, public lectures about the Bank's various roles as well as its business operations, the Japanese currency, and economic activity. The Bank also increased the number of and enhanced the quality of regular lectures about the Bank, the Japanese currency, and the Old Building for participants of the Head Office in-house tour. The number of visitors to the Head Office was broadly unchanged at around 41,000 in fiscal 2009, a decrease of 0.7 percent from the previous year.
- (4) The Bank released a steady stream of up-to-date information in both English and Japanese on its web site. The number of page views on its web site rose to around 103 million, an increase of 20.8 percent from the previous fiscal year; of these page views, around 13 million were made to its English-language web site, an increase of 9.5 percent.
- (5) The Bank strived to increase simultaneous releases of Japanese and English texts, for example for

speeches; it also enhanced its dissemination of English-language materials, including public statements as well as reports and research papers.

2. The Bank will conduct a thorough revision of its web site to better respond to users' diverse needs and to further enhance the effectiveness of its communication with the public.

- (1) The Bank commenced a thorough revision of its web site based on the results of questionnaires targeting users both inside and outside the Bank as well as assessments of the site's accessibility and user-friendliness conducted by experts; the revision is expected to be completed by the end of fiscal 2010.

3. The Bank will take the opportunity of internal operational reviews to canvass and exchange opinions with financial institutions and a wide range of other involved parties and to gain a clear understanding of outside parties' needs regarding the Bank's operations. The Bank will take due note of these in its subsequent conduct of business operations.

- (1) In fiscal 2009, the Bank received 11,614 inquiries and comments (excluding letters or e-mails motivated by business purposes and those where the writing or intent was unclear) on a wide range of matters including the conduct of monetary policy; this represented a decrease of 9.5 percent from the previous year. The Bank also received 17 requests for information disclosure, an increase of 30.8 percent from the previous year.
- (2) Amid significant changes in the environment surrounding treasury services, the Bank, for the first time, organized a meeting with financial institutions designated as agents permitted to offer treasury services in their branches and offices, for the purpose of ensuring smooth communication.

- (3) The Bank held the first working-level meeting for BOJ-NET users linked to the Head Office in order to enhance users' system operating skills and promote information sharing.
- (4) The Bank changed some questions in the quarterly *Opinion Survey on the General Public's Views and Behavior*.

4. The Bank will make appropriate refinements of the statistics it compiles in line with the principles of the Statistics Act (Act No. 53 of 2007), with the aim of improving user-friendliness.

- (1) The Bank implemented the following measures as part of refining its statistics to improve their user-friendliness.
 - (a) The Bank revised the base year for the Corporate Service Price Index (CSPI) from 2000 to 2005, thereby significantly improving the accuracy of the index.
 - (b) The Bank commenced arrangements for revising the base year for the Input-Output Price Index of the Manufacturing Industry by Sector (IOPI) from 2000 to 2005.
 - (c) The Bank made revisions to the sample enterprises for the *Tankan* (Short-Term Economic Survey of Enterprises in Japan) based on the most up-to-date information regarding the survey population and industry classification.
 - (d) The Bank began to offer a customized compilation service for *Tankan* data at the request of users for academic research or other educational purposes.
 - (e) The Bank commenced release of the nominal effective exchange rate of the yen on a daily basis from March 2010.
 - (f) In response to the release of the sixth edition of the *Balance of Payments and International*

Investment Position Manual by the IMF at the end of 2008, the Bank took part in international initiatives and pushed forward with implementing the new edition, taking into account discussions in other countries.

- (2) The Bank worked toward improving the quality of statistics in Japan, as follows.
 - (a) The Bank, in cooperation with the Cabinet Office, proceeded with revisions to the calculation of the Financial Intermediation Services Indirectly Measured (FISIM) in the System of National Accounts (SNA) statistics.
 - (b) With a view toward better quality statistics at the international level, the Bank took an active part in discussions on statistical issues of interest to central banks at the Irving Fisher Committee on Central Bank Statistics, which operates under the auspices of the BIS.

5. The Bank will further streamline statistics compilation by discontinuing publication of statistics that have become less useful and by outsourcing.

- (1) The Bank implemented the following measures to streamline statistics compilation.
 - (a) The Bank reduced the publication frequency of the *Bank of Japan Statistics* from a quarterly to an annual basis.
 - (b) The Bank made use of price data from external sources, including both official statistics and databases operated by private companies, when compiling the CSPI.
 - (c) The Bank transferred the compilation and release of its statistics on CP issuance rates to the Japan Securities Depository Center (JASDEC) from October 1, 2009.
 - (d) The Bank discontinued the release of two sets of

data previously included in its foreign exchange market statistics, from February 26, 2010.

- (e) The Bank ceased updating two sets of tables in the Figures on Settlement of Japanese Government Bonds after releasing the data for March 2010 on April 12, 2010.

6. In support of the activities of the Central Council for Financial Services Information (CCFSI) and local committees, the Bank will continue to contribute to financial literacy education and raise public awareness and understanding of financial and economic issues. To this end, the Bank will thoroughly evaluate the efficacy of the various approaches employed to date, and concentrate future efforts on those that have proved the most effective and efficient.

- (1) As the secretariat of the CCFSI, the Bank promoted financial literacy through the following activities: it organized lessons at schools; it continued to hold essay competitions for students and teachers; it visited boards of education in various regions of Japan and explained the CCFSI's introductory booklet for teachers, "An Introduction to Financial Literacy Education" (available only in Japanese); and
- it introduced the booklet and conducted practical training at seminars for schoolteachers.
- (2) The Bank worked toward raising awareness and understanding of financial issues among the public by, for example, organizing Festivals for Promoting Financial Literacy Education at ten locations, as well as through public lectures on financial and economic issues organized by local committees all across Japan. The Bank also revised the "Databook on People's Lives and Financial Affairs," a booklet providing key statistics on people's financial circumstances, and continued the publication of a quarterly magazine, "First Steps toward Financial Literacy for Everyday Life" (both available only in Japanese).
- (3) The Bank continued to conduct a survey on households' financial activity.
- (4) From a cost-effectiveness perspective, the Bank removed a free downloadable "household account book" software program from the CCFSI web site in April 2009; it also ceased offering a CCFSI correspondence course in financial literacy from fiscal 2009.