Chapter IX  Treasury Funds and Japanese Government Securities Services

The Bank of Japan provides services related to the receipt and payment of funds of the government (treasury funds), the government’s cash management, and Japanese government securities (JGSs). This chapter explains the services related to treasury funds and JGSs.

A. Treasury Funds Services

1. Government-related services of the Bank of Japan

In addition to accepting deposits from financial institutions in their current accounts at the Bank of Japan, or BOJ accounts (see Chapter IV.B.3), the Bank accepts treasury funds as government deposits. The funds received by the government, such as national taxes and social security premiums, are called government revenues, and payments by the government, such as public works expenditures and public pensions are called government expenditures.

Japanese acts and ordinances stipulate that the Bank, as the bank of the government (see Box 2 for Chapter I, “The Three Functions of the Bank of Japan as a Central Bank”), shall provide services related to treasury funds (see Sections A.2 to A.5 in this chapter), the government’s cash management (see Section B in this chapter), JGSs, and custody of securities held by the government (see Section C in this chapter). They also stipulate that the Bank shall conduct foreign exchange intervention on behalf of the government (see Section D in Chapter VIII).

2. Treasury funds services and the agent system

The Bank carries out various treasury funds services under acts and ordinances such as the Bank of Japan Act (Article 35) and the Public Accounting Act (Article 34). The latter sets the framework for the government’s accounting. These services consist of: (1) the receipt of revenues and payment of expenditures; (2) accounting for increases and decreases in government deposits as receipt and payment of treasury funds are carried out; and (3) the sorting of receipts and payment of treasury funds for government agencies and specific government accounts, calculating their respective total amounts, and checking them against those calculated by the government.
Chapter IX: Treasury Funds and Japanese Government Securities Services

agencies themselves\(^1\) (see Figure 9-1).

Regarding the services related to the receipt of revenues and payment of expenditures, an agent system has been established for the convenience of both the public and the government. Under this system, treasury funds are received and paid not only at the Head Office and branches of the Bank but also at designated branches and offices of private financial institutions. With the approval of the government — specifically, the Finance Minister — the Bank has made agent contracts with private financial institutions throughout Japan so that designated branches and offices of these financial institutions can receive and pay treasury funds as the Bank’s agents. The agents can be divided into two types: treasury agents, and revenue agents.\(^2\) As of March 31, 2010, there were 529 treasury agents and 41,025 revenue agents\(^3\) (see Figure 9-2). Treasury agents provide services related to the receipt and payment of treasury funds: almost the same services as those handled at the Bank’s Head Office and branches. They also carry out services related to payments of principal and interest on JGSs (see Section C in this chapter). Revenue agents, on the other hand, only deal with the receipt of government revenues such as national taxes and social security premiums.

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\(^1\) The central banks of the United States and major European countries also provide treasury funds services, but their businesses are usually limited to the accounting of government deposits. The Bank provides services that are related to the receipt and payment of treasury funds (see Footnote 10), the accounting of government deposits, and the calculation and checking of treasury funds for government agencies. In other words, all the services related to the Japanese government’s deposits are concentrated at the Bank. Under this system, fluctuations in the government deposits tend to be wide. However, it enables the Bank, from a unified standpoint, to obtain information on the government’s funds management accurately and swiftly; therefore, the Bank can conduct appropriate open market operations based on the supply and demand conditions in government funds (see Chapter V.B.3.b).

\(^2\) The Bank has treasury agent contracts with city banks, regional banks, regional banks II, and shinkin banks. It has revenue agent contracts with these types of banks and also with trust banks, Shinkin Central Bank, the Shoko Chukin Bank, the Norinchukin Bank, the Shinkumi Federation Bank, the Rokinren Bank, and Japan Post Bank.

\(^3\) The number of revenue agents includes “revenue sub-agents” and “sub-agents of revenue sub-agents.” Revenue sub-agents are entrusted with the handling of government revenues by revenue agents. At present, offices of the credit federations of agricultural cooperatives, credit cooperatives, and post offices serve as revenue sub-agents under the entrustment of the Norinchukin Bank, the Shinkumi Federation Bank, and Japan Post Bank, respectively. Part of the handling of government revenues, limited to traffic fines and national pension insurance premiums, is entrusted by revenue sub-agents to sub-agents of revenue sub-agents. Currently, contracted post offices serve as sub-agents of revenue sub-agents.
A. Treasury Funds Services

Figure 9-1 Flow of Treasury Funds Services

1. Blue arrows indicate the flow of funds, and black arrows indicate the flow of papers and messages. Each shaded oval represents the following services: (1) the receipt and payment of treasury funds; (2) the accounting for increases and decreases in government deposits as receipt and payments of treasury funds are carried out; and (3) the sorting of receipts and payments of treasury funds for government agencies and specific accounts, calculating their respective total amounts, and checking them against those calculated by the government agencies themselves.
Chapter IX: Treasury Funds and Japanese Government Securities Services

### Figure 9-2 Number of Agents as of March 31, 2010

<table>
<thead>
<tr>
<th>Type of financial institution</th>
<th>Treasury agents</th>
<th>Revenue agents</th>
</tr>
</thead>
<tbody>
<tr>
<td>City banks</td>
<td>78 (5)</td>
<td>1,873 (6)</td>
</tr>
<tr>
<td>Regional banks</td>
<td>402 (58)</td>
<td>6,811 (64)</td>
</tr>
<tr>
<td>Regional banks II</td>
<td>45 (11)</td>
<td>3,015 (42)</td>
</tr>
<tr>
<td>Shinkin banks</td>
<td>4 (4)</td>
<td>7,396 (263)</td>
</tr>
<tr>
<td>Japan Post Bank</td>
<td>—</td>
<td>21,088 (1)</td>
</tr>
<tr>
<td>Total, including others</td>
<td>529 (78)</td>
<td>41,025 (441)</td>
</tr>
</tbody>
</table>

Notes: 1. Figures in parentheses are the number of financial institutions with agent contracts with the Bank.
2. Revenue agents include revenue sub-agents and sub-agents of revenue sub-agents.

### 3. The flow of treasury funds services

This section describes the flow of treasury funds services by following typical transactions.

#### a. Flow of government revenues

The following subsection gives an example of the flow of treasury funds when an individual pays national taxes through an agent of the Bank (see Figure 9-3; the numbers in parentheses in the following paragraphs correspond to the numbers in Figure 9-3).

1. The process starts when the individual receives a notification of tax payment due and related documents from a tax office.
2. The taxpayer pays the tax in cash at an agent of the Bank, or by having his/her bank account debited.4
3. After the tax payment is received, the agent reports its receipt of tax payment and sends a notification of receipt to the Bank.
4. Funds received by agents of the Bank are then settled by debiting the BOJ account of each agent and crediting government deposits at the Bank. There is a certain period of time between the receipt of treasury funds by agents and the

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4 At present, about half of the payments made to the government are made in cash and the rest are made by debiting a bank account. Under certain conditions, payment to the government can also be made by negotiable instruments, such as Japanese government bond (JGB) coupons and checks that can be readily cashed.
A. Treasury Funds Services

settlement between the agents and the government, in order to give the agents enough time to process the transactions.\(^5\)

(5) On its side, the Bank collects the notifications of receipt sent from the agents to calculate the amount of national taxes levied and collected by each tax office.

(6) The Bank checks the calculation results against the figures of the government deposits.

(7) The Bank electronically transmits the notification of receipt information to the authorities concerned.

(8) The Bank checks the calculation results against the figures prepared by tax offices every month.

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**Figure 9-3 Flow of Government Revenues: An Example of National Tax Paid in Cash\(^1\)**

- **Individuals and firms (taxpayers)**
- **Financial institutions**
- **Revenue agents**
- **Treasury agents**
- **Government (tax offices)**
- **Bank of Japan**

(1) Notification of tax payment due and related documents
(2) Tax payment in cash/debiting from the bank account
(3) Notification of tax receipt
(4) Crediting/debiting current accounts of the treasury agents
(5) Calculation of the amount of national tax levied and collected by each tax office
(6) Matching/confirmation
(7) Electronic notification of tax receipt
(8) Matching/confirmation

Note: 1. Blue arrows indicate the flow of funds, and black arrows indicate the flow of papers and messages.

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\(^5\) The BOJ account of the agent is debited and the government deposit is credited two business days after the receipt of treasury funds at the agent. However, some parts of government revenues that are received at revenue agents and then handled by treasury agents are credited to the government deposit account four business days after the receipt of treasury funds at revenue agents. In the case of online processing of government revenues, government deposits are credited on the business day following the day they are received.
Chapter IX: Treasury Funds and Japanese Government Securities Services

b. Flow of government expenditures

The flow of government expenditures can be shown by considering an example of public works expenditures being paid into a contractor’s deposit account (see Figure 9-4; the numbers in parentheses in the following paragraphs correspond to the numbers in Figure 9-4). At present, most government expenditures are paid by transferring funds to payees’ bank accounts.

Public works payments occur in the following manner.

1. The government sends notifications of funds transfer to the contractors: the payees of funds.
2. The government also sends the information necessary to make payments, such as the payees’ names, their designated bank accounts, and the amounts of payment, to the Accounting Center of the Ministry of Finance (MOF).
3. The Accounting Center organizes the payment data received from the relevant ministries and then sends them to the Bank with the payment instruction data to request crediting of the designated deposit accounts.
4. Subsequently, the Bank sends the data to the designated financial institutions through the Zengin Data Telecommunications System (Zengin System)6 to give notice of the amounts of payment and the deposit accounts to be credited. At the same time, the Bank debits the total amount of public works expenditures from the government deposits and credits the BOJ accounts of the designated financial institutions.7
5. The financial institutions credit the public works expenditures to the relevant contractors’ accounts based on the payment instructions received from the Bank.8,9 The Bank calculates the government expenditures paid.
6. The Bank checks the figures with those held at the Accounting Center every month.

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6 The Zengin System is an interbank clearing system for domestic credit transfers operated by the Japanese Banks’ Payment Clearing Network (Zengin-Net; see Chapter IV.C.2.a).

7 The Bank’s operations of receiving funds from the government and then requesting that financial institutions transfer the funds to the bank accounts of specified payees are called treasury funds remittances.

8 In principle, the debiting from the government deposits, the crediting to the BOJ accounts of designated financial institutions, and the crediting to the payees’ deposit accounts of the institutions are all conducted on the same day.

9 In addition to treasury agents and revenue agents, offices of credit cooperatives, labor credit cooperatives, agricultural cooperatives, and fishery cooperatives handle services that relate to treasury funds remittances.
A. Treasury Funds Services

4. The significance of the Bank’s provision of treasury funds services

Article 35 of the Bank of Japan Act stipulates that, as the central bank of Japan, the Bank shall assume responsibility for handling services related to treasury funds. The Bank has performed treasury funds services since its establishment in 1882, starting with the services related to the receipt of government revenues. Since 1921, when the vault system was replaced by the deposit system, the Bank has been carrying out services related to treasury funds as part of its central
Chapter IX: Treasury Funds and Japanese Government Securities Services

banking operations.10

The Bank performs treasury funds services soundly and accurately, observing detailed statutory provisions, to maintain public confidence in the handling of treasury funds and to ensure the accuracy of the government’s accounting. Related statutes, including the Public Accounting Act, stipulate how treasury funds are to be handled, how books are to be kept, and how deeds are to be drawn up. The Bank also checks that the treasury funds services entrusted to private financial institutions based on agent contracts are performed accurately in compliance with related statutory provisions. To this end, the Bank’s staff visit agents for inspections as needed; they check how each agent handles treasury funds, and how the headquarters of the financial institutions oversee their agents.11 Based on the results of these inspections, the Bank gives operational guidance to the financial institution concerned if necessary.

5. Improvement in the efficiency of treasury funds services

The number and value of treasury funds transactions have been increasing (see Figure 9-5). Against this background, the Bank, while improving convenience for the public, has endeavored to promote the efficiency of treasury funds services. Specifically, the Bank previously introduced a magnetic tape based system to enable computer processing of funds transfer requests to financial institutions regarding payment of government expenditures such as public pensions. The Bank has also introduced optical character readers (OCRs) for sorting and calculating some revenue items such as national taxes. In addition,

10 When the Bank was established in 1882, a department of the MOF, which was in charge of the receipt and payment of treasury funds as the government’s vault, entrusted the Bank with assisting in the handling of the government’s cash. In 1890, when that department was closed due to the implementation of the Public Accounting Act, the vault was installed at the Bank. Accordingly, the Governor of the Bank was assigned the role of the government’s vault accounting officer and entrusted with all services related to the receipt, payment, and holding of treasury funds. In 1921, a revision to the Public Accounting Act abolished the vault system, ending the Bank Governor’s role as the vault accounting officer. Instead, the Bank, as a legal person, started to manage government deposits. Under this new deposit system, the receipt and payment of treasury funds began to be conducted by crediting and debiting the government deposits at the Bank, and the Bank’s services related to the receipt and payment of treasury funds continued.

11 Agent inspections are similar to on-site examinations in that the Bank’s staff directly visit financial institutions. However, the purpose and content of on-site examinations are different from those of agent inspections. The main purpose of on-site examinations is to maintain financial system stability (see Section B and F in Chapter VI); the Bank examines the financial institution’s risk management and business performance, and its financial strength, and gives it advice based on the results of these examinations.
A. Treasury Funds Services

in recent years the Bank has endeavored to promote electronic processing of the receipt and payment of treasury funds, and, as a result, major treasury funds services related to government expenditures, government revenues, recording and transferring, and money submitted to the government to be held in custody or as deposits are already being processed electronically.

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>Number of transactions</th>
<th>Value of transactions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>108,542</td>
<td>484</td>
</tr>
<tr>
<td>1985</td>
<td>135,601</td>
<td>560</td>
</tr>
<tr>
<td>1990</td>
<td>205,913</td>
<td>985</td>
</tr>
<tr>
<td>1995</td>
<td>246,243</td>
<td>1,454</td>
</tr>
<tr>
<td>2000</td>
<td>279,398</td>
<td>1,484</td>
</tr>
<tr>
<td>2005</td>
<td>454,724</td>
<td>2,169</td>
</tr>
<tr>
<td>2006</td>
<td>456,988</td>
<td>2,091</td>
</tr>
<tr>
<td>2007</td>
<td>458,769</td>
<td>1,835</td>
</tr>
<tr>
<td>2008</td>
<td>456,415</td>
<td>1,842</td>
</tr>
<tr>
<td>2009</td>
<td>458,434</td>
<td>2,036</td>
</tr>
</tbody>
</table>

\[\text{Figure 9-5 Receipts and Payments of Treasury Funds by Number and Value of Transactions}\]

Unit: 1,000 transactions, tril. yen

a. Online processing of government expenditures

In April 2003, the Bank began online processing of funds transfer request data for government expenditures received from the Accounting Center of the MOF. This led to the establishment of computer networks that linked all government agencies in Japan and the designated financial institutions holding the payees’ accounts.

b. Online processing of government revenues

In November 2001, the Bank announced a detailed plan for introducing a new scheme for electronic payments of government revenues based on the Multi-
Payment Network (MPN), and implemented the scheme in January 2004.
Since then, electronic payments of administrative fees, national taxes, and social security premiums have been made possible, in that order. The electronic payment system enables payers to make payments of government revenues, such as administrative fees and national taxes, by debiting their accounts through Internet banking services, or, alternatively, by paying in cash or debiting their accounts through designated automated teller machines (ATMs) at financial institutions. By using the electronic payment system, payers no longer have to go to financial institutions and wait in line at tellers’ windows. Moreover, they can make payments outside financial institutions’ business hours, even at night. The introduction of the electronic payment system has also contributed to promoting efficiency in the processing of these transactions by the agencies concerned.

c. Online processing of recording and transferring of treasury funds

In March 2004, the Bank initiated a unified system for electronic recording and transferring of treasury funds. It links the Bank’s Head Office, branches, and agents, and electronically implements receipts, payments, recording, and transferring of treasury funds for the accounts of all government agencies in Japan. The establishment of this system has contributed to paperless processing of the Bank’s treasury funds services and swift operation of treasury funds transfers.

d. Online processing of money submitted to the government to be held in custody or as deposits, and receipts and payments to the Fiscal Loan Fund

Between March and June 2005, the Bank introduced online processing of money submitted to the government to be held in custody or as deposits and receipts

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12 The MPN is an online network that deals with electronic data related to various payments, such as public utility charges, local public funds, and treasury funds. It is operated by the Japan Multi-Payment Network Management Organization. The payment and settlement services used for the electronic payment of public utility charges are known as “Pay-easy,” and are provided through the Internet banking system, the mobile banking system, or automated teller machines (ATMs) at financial institutions.

13 Money submitted to the government to be held in custody includes deposits for bids for government contracts and for purchase contracts between the government and the private sector. Money submitted to the government as deposits includes deposits given by a lessee of a house or land when a dispute arises between a lessee and a lessor about their rights to a house or land, and deposits offered by prepaid card issuers.
and payments to the Fiscal Loan Fund.\textsuperscript{14} Money submitted to the government to be held in custody or as deposits requires two-way processing of treasury funds (receipt and payment), as in the case of auction deposits.\textsuperscript{15} The receipt and payment of treasury funds were handled at the windows of the Bank’s Head Office, branches, and agents until the start of online processing. The online processing was achieved via a combination of an electronic payment scheme for government revenues, an online scheme for funds transfer request data for government expenditures, and a unified system for the electronic recording and transfer of treasury funds. As for the Fiscal Loan Fund, the electronic processing of loans provided to local governments was realized through an online funds transfer scheme. Similarly, the electronic processing of loan collection was realized through an electronic payment scheme. In addition, the electronic processing of deposits to the Fiscal Loan Fund,\textsuperscript{16} the source of these loans, was realized through an electronic payment scheme and the online funds transfer scheme.

e. Online processing of national tax refunds

The Bank initiated the online service for transfers of national tax refunds\textsuperscript{17} in cooperation with the National Tax Agency and private financial institutions in September 2006.\textsuperscript{18} This service provided an online network linking tax offices nationwide, the National Tax Agency, the Bank, and private financial institutions with payees’ accounts. It achieved swift transfers of national tax refunds, and contributed to efficient paperless processing of national tax refunds, both at private financial institutions serving as the Bank’s agents and at the Head Office and branches of the Bank.

\textsuperscript{14} Refers to loans provided pursuant to the Fiscal Investment and Loan Program (FILP) Plan.

\textsuperscript{15} Auction deposits are offered by bidders before the government’s auctions and returned to them if they fail to bid.

\textsuperscript{16} These are funds deposited by the government’s special accounts or special public corporations to the account of the FILP.

\textsuperscript{17} National tax refunds are, for example, refunds paid to taxpayers after they file an income tax return when the tax withdrawn at source of income or the amount paid as the estimated tax exceeds the amount calculated based on the annual income.

\textsuperscript{18} Before the introduction of the online processing system, funds transfers related to national tax refunds were implemented by sending the magnetic tapes that contained the funds transfer data from the National Tax Agency to the relevant private financial institutions, or by sending documents from the tax offices to the Bank’s Head Office, branches, and agents.
B. The Government’s Cash Management

1. The government deposit balance’s fluctuations and the Bank of Japan’s operations

Treasury funds are received from and paid to the private sector through the government deposits at the Bank of Japan.\(^\text{19}\) The receipt and payment of various kinds of government revenues and expenditures result in the daily settlement of a large number of transactions of treasury funds of enormous value. Since the due dates for payments are concentrated on specific days, there are certain patterns observed related to the inflows and outflows of treasury funds.

Regarding the monthly payment trends observed over the past several years, during the first ten days of each month, government receipts tend to exceed payments because treasury agents and revenue agents transfer corporate taxes, consumption taxes, and social security premiums they received around the end of the previous month to the government accounts. For the second ten-day period of each month, there are two alternating patterns, depending on the month. In the odd months, receipts tend to exceed payments mainly due to the collection of withholding income taxes, while in the even months, payments tend to exceed receipts because of the payment of public pensions. In the last ten days of each month, there are also two patterns, depending on the month. Payments tend to exceed receipts in March, June, September, and December, due to the mass redemption of JGSs, and at the end of the fiscal year, as a result of an increase in payments of public works expenditures and social security benefits. Receipts tend to exceed payments in other months mainly due to the issuance of JGSs.

Looking at the pattern during the fiscal year, there are large net payments in March, June, September, and December, when the mass redemption of JGSs occurs, and in April, when regular allocation tax is distributed (the payment months are April, June, September, and November) and public pensions are paid (large pension payments are observed in the even months). In other months, there is a tendency for there to be net receipts due to the receipt of taxes, social security premiums, and income from JGS issuance (see Figure 9-6).

Regarding the flow of treasury funds, a receipt causes a decrease in cash on hand and deposits of individuals and firms, followed by a decrease in the

\(^{19}\) The deposits of the government include: (1) the current account deposit to manage both the receipt and payment of treasury funds; (2) the special deposit account to manage the accounting of the negotiable securities submitted in payment of treasury funds and coins used for payment; and (3) designated domestic deposit accounts with specific conditions for the investment and interest of the fund having been set by the Finance Minister.
B. The Government’s Cash Management

balance of financial institutions’ BOJ accounts. On the other hand, a payment causes an increase in the balance of financial institutions’ BOJ accounts, followed by an increase in cash on hand and deposits of individuals and firms. The flow of treasury funds between the government and the private sector (fiscal balance) affects the balance of financial institutions’ BOJ accounts. Therefore, the Bank not only monitors, on a prompt and appropriate basis, the daily movements in the amount of treasury funds, but also predicts such movements through interviews with government agencies that are involved in large receipts and payments, and by statistical methods using past data. At the same time, the Bank conducts appropriate open market operations, taking account of the issues causing increases and decreases in the BOJ accounts (see Chapter V.B.2.b).

2. The Bank’s services related to the government’s cash management

The government needs to maintain its deposit balance at an appropriate level to avoid having an excessive surplus in the balance, or an insufficient balance that could disrupt the smooth payment of funds. The Bank contributes to the government’s efficient cash management by communicating its projections of the flow of treasury funds as described above to the government. When the government is in need of extra funds in the short term, it raises such funds by, for example, issuing financing bills (FBs). FBs are issued to financial institutions through public auctions (for an explanation of the

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20 Since fiscal 2005, the MOF has been seeking to manage the cash in the national treasury efficiently by adjusting imbalances caused by the time lag between receipts and payments (see “Efficient Management of the Cash in National Treasury” and “Approaches to Strengthening Efficient Management of the Cash in the National Treasury,” released by the MOF on August 26, 2005 and May 24, 2006, respectively).

21 In February 2009, FBs were unified with treasury discount bills (T-Bills). At the same time, the status of FBs and T-Bills remains the same under the existing fiscal system. Under the system, FBs are issued to cover temporary shortage of cash in the national treasury or the special accounts. T-Bills account for a large share of the financial instruments in the money markets (see Box 1 for Chapter V, “Money Markets and the Call Market”).

22 Financial institutions that can bid for FBs include banks, securities companies, insurance companies, the Norinchukin Bank, the Shoko Chukin Bank, tanshi companies (money market brokers-cum-dealers), and shinkin banks.

23 In April 1999, public auctions were introduced as the principle method for issuing FBs, taking the place of the previous method that used a fixed discount rate with the Bank’s guarantee of underwriting of unsold FBs.
Figure 9-6 Main Factors behind Monthly Increases/Decreases in the Government Deposit Balance during a Fiscal Year

<table>
<thead>
<tr>
<th>Month</th>
<th>Major increasing factors (receipts)</th>
<th>Major decreasing factors (payments)</th>
</tr>
</thead>
</table>
| April | - Self-assessed income taxes (final declaration in the third term)  
- Public pension insurance premiums  
- Income from JGS issuance | - The first allocation of the regular allocation tax  
- Public pensions  
- Adjustment funds for the previous fiscal year (public works, social security, overhead cost, etc.) |
| May   | - Public pension insurance premiums  
- Income from JGS issuance | - Lending from the FILP to local areas |
| June  | - Corporate taxes (from firms whose accounting periods end in March)  
- Public pension insurance premiums  
- Income from JGS issuance | - The second allocation of the regular allocation tax  
- Public pensions  
- Large amount of redemption of JGSs |
| July  | - Withholding income taxes (on summer bonuses)  
- Public pension insurance premiums  
- Labor insurance premiums  
- Income from JGS issuance | - Half-year-end compensation for government officers |
| August | - Withholding income taxes (on summer bonuses)  
- Self-assessed income taxes (tax prepayment in the first term)  
- Public pension insurance premiums  
- Income from JGS issuance | - Public pensions |
| September | - Collection of principal and interest from the Fiscal Investment and Loan Program (FILP)  
- Public pension insurance premiums  
- Income from JGS issuance | - The third allocation of the regular allocation tax  
- Large amount of redemption of JGSs |
B. The Government’s Cash Management

<table>
<thead>
<tr>
<th>Month</th>
<th>Operations</th>
<th>Exceptional Cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>October</td>
<td>- Public pension insurance premiums&lt;br&gt;- Income from JGS issuance</td>
<td>- Public pensions</td>
</tr>
<tr>
<td>November</td>
<td>- Public pension insurance premiums&lt;br&gt;- Labor insurance premiums&lt;br&gt;- Income from JGS issuance</td>
<td>- The fourth allocation of the regular allocation tax</td>
</tr>
<tr>
<td>December</td>
<td>- Corporate taxes (interim payment from firms whose accounting period ends in March)&lt;br&gt;- Self-assessed income taxes (tax prepayment in the second term)&lt;br&gt;- Public pension insurance premiums&lt;br&gt;- Income from JGS issuance</td>
<td>- Public pensions&lt;br&gt;- Year-end compensation for government officers&lt;br&gt;- Public works, overhead cost, etc.&lt;br&gt;- Large amount of redemption of JGSs</td>
</tr>
<tr>
<td>January</td>
<td>- Withholding income taxes (on winter bonuses)&lt;br&gt;- Public pension insurance premiums&lt;br&gt;- Income from JGS issuance</td>
<td></td>
</tr>
<tr>
<td>February</td>
<td>- Public pension insurance premiums&lt;br&gt;- Labor insurance premiums&lt;br&gt;- Income from JGS issuance</td>
<td>- Public pensions</td>
</tr>
<tr>
<td>March</td>
<td>- Collection of principal and interest from the FILP&lt;br&gt;- Public pension insurance premiums&lt;br&gt;- Income from JGS issuance</td>
<td>- Allocation of the special allocation tax&lt;br&gt;- Public works, social security, overhead cost, etc.&lt;br&gt;- Large amount of redemption of JGSs</td>
</tr>
</tbody>
</table>

There are exceptional cases in which the Bank underwrites FBs, such as when the government is in unexpected need of funds, or when bids from financial institutions fall short of the amount offered. In these cases, the Bank can underwrite FBs at the average successful bidding rate of the most recent operations of the auction, see Section C.2 in this chapter).
Chapter IX: Treasury Funds and Japanese Government Securities Services

The FBs underwritten by the Bank are redeemed as soon as possible with funds raised through the following public auctions of FBs. When there is a surplus in the government’s treasury funds, the Bank will accept the government’s request for early redemption of the FBs held by the Bank, providing that the early redemption does not disrupt the smooth implementation of the Bank’s market operations or other business operations. The Bank will also transfer surplus funds from the government’s current account to a designated domestic deposit account (see Footnote 19) in which interest is paid based on the weighted average of the successful bidding rates for FBs in the most recent 13 weeks, using the volumes of the public auction results as a weighting factor.

To ensure appropriate business operations pertaining to the transactions with the government, in 1999, the Bank’s Policy Board established principal terms and conditions for the Bank’s transactions with the government. These terms and conditions stipulate that the Bank can: (1) underwrite FBs at issuance in exceptional cases; and (2) underwrite Japanese government bonds (JGBs) and treasury bills (TBs) from the government, with the advance approval of the Policy Board, to roll over JGBs and TBs that were purchased by the Bank through market operations and that have reached maturity (see Section C.2 in this chapter).

C. Services Related to JGSs

1. Overview of the Bank of Japan’s JGS services

The Bank of Japan provides a variety of services related to JGSs, as stipulated in Article 36 of the Bank of Japan Act, Article 1 of the Act on National Government Bonds, and other acts and ordinances. The Bank’s JGS services are broadly classified into three categories: first, the services related to JGS issuance, for which the Bank announces public auctions, accepts bids, and collects payments (see Section C.2 in this chapter); second, the services related to book-entry transfer of JGSs, for which the Bank provides JGS transfer services (see Section C.3 in this chapter); and third, the services related to payments of principal and interest on JGSs, where the Bank pays

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24 Article 34 of the Bank of Japan Act stipulates that: “as the central bank of Japan, the Bank of Japan may, in addition to the business prescribed in paragraph 1 of the preceding Article, conduct the following business with the national government.” Item (iv) of the Article stipulates “subscribing or underwriting financing bills and other financing securities.”

25 The data related to transactions of the Bank with the government are released monthly on the Bank’s website as “Bank of Japan’s Transactions with the Government.” The data include the amount outstanding of FBs underwritten by the Bank.
C. Services Related to JGSs

interest on and redeems JGSs, and collects coupons and physical securities (see Section C.4 in this chapter).

To facilitate the provision of JGS services to JGS holders, there is an agent system similar to that for treasury funds services. Specifically, with the authorization of the Finance Minister, the Bank concludes agent contracts with private financial institutions so that these institutions can also offer JGS services. There are three types of agents: (1) treasury agents (see Section A in this chapter), which, in addition to providing JGS services, pay and receive treasury funds; (2) JGS agents, which make JGS principal and interest payments for physical JGSs; and (3) JGS paying agents, which make principal and interest payments for certain types of physical JGSs. The Bank ensures the smooth provision of services related to JGSs by managing these agents, and communicating and coordinating with the government.

There are several types of JGSs, classified by purpose (see Figure 9-7), maturity, and method of issuance (see Figure 9-8). This section deals mainly with general securities (revenue securities), which account for most JGSs, and explains (1) how they are issued, (2) how book-entry transfers are processed, and (3) how payments of principal and interest are made.

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26 Redemption is the repayment of a debt security (or other type of security) by paying the principal of the security.

27 Coupons are detachable certificates attached to the bottom of paper certificates of interest-bearing bonds, corresponding to a series of payment dates. The bearer of the bonds receives interest in exchange for the coupons.

28 As of March 31, 2010, there were: 614 offices designated as JGS agents, composed of branches and offices of city banks, regional banks, regional banks II, trust banks, shinkin banks, Shinkin Central Bank, the Shoko Chukin Bank, the Norinchukin Bank, and Japan Post Bank; 20 offices designated as JGS paying agents, composed of branches and offices of trust banks, securities companies, and securities finance companies; and 19,981 post offices entrusted, by the financial institutions that are JGS agents, as sub-agents to provide services related to the payment of principal and interest of JGSs.
### Figure 9-7 Types of JGSs

<table>
<thead>
<tr>
<th>Purpose of issuance</th>
<th>Related JGSs</th>
</tr>
</thead>
<tbody>
<tr>
<td>General securities</td>
<td>Revenue securities are issued to raise funds as revenues for various expenditure demands</td>
</tr>
<tr>
<td>(revenue securities)</td>
<td>40-year fixed rate bonds</td>
</tr>
<tr>
<td>New financial resource securities (Construction bonds, special deficit-financing bonds)</td>
<td>New financial resource securities are issued to finance expenditure for the year of issue.</td>
</tr>
<tr>
<td>Refunding securities</td>
<td>Refunding securities are issued to finance redemption of JGSs.</td>
</tr>
<tr>
<td>FILP bonds</td>
<td>FILP bonds are issued to raise funds for investment in the Fiscal Loan Fund. Revenues from FILP bond issuance are allotted to the annual revenue of the FILP Special Account.</td>
</tr>
<tr>
<td>Converted bonds</td>
<td>Converted bonds are government bonds converted from the bonds and debts of public organizations under acts on special measures.</td>
</tr>
<tr>
<td>Subsidy bonds</td>
<td>Subsidy bonds are issued instead of treasury funds payments to defer payments until the maturity of deferred bonds.</td>
</tr>
</tbody>
</table>
### C. Services Related to JGSs

<table>
<thead>
<tr>
<th>Government compensation bonds</th>
<th>Government compensation bonds are bonds delivered in lieu of condolence money and other compensation for veterans of World War II, and for the families of those who died in the war, including the inscribed bonds that are issued with the bondholder’s name inscribed.</th>
<th>JGBs issued for bereaved families, etc., Special Benefit Treasury Bond, etc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subscription/contribution bonds</td>
<td>Subscription and contribution bonds are delivered to international organizations such as the International Monetary Fund (IMF) and the World Bank, as well as corporations such as the Development Bank of Japan in lieu of subscription to those institutions.</td>
<td>Notes issued in substitution for currencies to be paid into international organizations, such as the IMF as subscription, etc.</td>
</tr>
<tr>
<td>Cash management bills</td>
<td>Cash management bills are issued to cover the government’s day-to-day shortfalls of funds.</td>
<td>FBS¹ (two-month, three-month, or six-month)</td>
</tr>
</tbody>
</table>

Note: ¹ In February 2009, FBs were unified with TBs under the name of T-Bills; however, the status of FBs and TBs remains the same under the existing fiscal system.
## Chapter IX: Treasury Funds and Japanese Government Securities Services

### Figure 9-8 Maturity of JGSs and How They Are Issued

<table>
<thead>
<tr>
<th>Type and maturity</th>
<th>Method of issuance</th>
<th>Method used for determining terms of issuance</th>
<th>Frequency of issuance scheduled in fiscal 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Interest-bearing bonds</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>40-year Interest-beari</td>
<td>Public auction</td>
<td>Yield-competitive auction/ Dutch-style auction</td>
<td>Quarterly</td>
</tr>
<tr>
<td>Public auction</td>
<td>Price-competitive auction/ conventional-style auction</td>
<td>Eight times in the fiscal year</td>
<td></td>
</tr>
<tr>
<td>20-year Interest-beari</td>
<td>Public auction</td>
<td>Price-competitive auction/ conventional-style auction</td>
<td>Monthly</td>
</tr>
<tr>
<td>15-year floating rate</td>
<td>Public auction</td>
<td>Price-competitive auction/ conventional-style auction</td>
<td>Yearly</td>
</tr>
<tr>
<td>Ten-year Interest-beari</td>
<td>Public auction</td>
<td>Price-competitive auction/ conventional-style auction</td>
<td>Monthly²</td>
</tr>
<tr>
<td>Five-year Interest-beari</td>
<td>Public auction</td>
<td>Price-competitive auction/ conventional-style auction</td>
<td></td>
</tr>
<tr>
<td>Two-year Discount bills</td>
<td>Public auction</td>
<td>Price-competitive auction/ conventional-style auction</td>
<td>One-year: monthly Six-month: unscheduled</td>
</tr>
<tr>
<td>Six-month TBs; one-year TBs³</td>
<td>Public auction</td>
<td>Price-competitive auction/ conventional-style auction</td>
<td></td>
</tr>
<tr>
<td>Ten-year inflation-indexed⁴</td>
<td>Public auction</td>
<td>Yield-competitive auction/ Dutch-style auction</td>
<td>Yearly</td>
</tr>
<tr>
<td>Ten-year floating rate for individual investors</td>
<td>Public auction</td>
<td>Yield-competitive auction/ Dutch-style auction</td>
<td></td>
</tr>
<tr>
<td>Five-year fixed rate for individual investors</td>
<td>OTC sales (making offerings and accepting subscriptions)</td>
<td>—</td>
<td>Quarterly</td>
</tr>
<tr>
<td>Three-year fixed rate for individual investors</td>
<td>—</td>
<td>—</td>
<td>Monthly⁵</td>
</tr>
</tbody>
</table>
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<table>
<thead>
<tr>
<th>Discount bills</th>
<th>Two-month, three-month, and six-month FBs</th>
<th>Public auction</th>
<th>Price-competitive auction/conventional-style auction</th>
<th>Weekly in principle</th>
</tr>
</thead>
</table>

Notes: 1. In addition to the competitive auctions, two-year, five-year, and ten-year bonds are issued through noncompetitive auctions. This approach is used to take into account small- and medium-sized market participants, who tend to submit smaller bids than their larger counterparts.
2. Ten-year, five-year, and two-year bonds are issued not only through the monthly public auctions, but also through monthly OTC sales.
3. In February 2009, FBs were unified with TBs under the name of T-Bills; however, the status of FBs and TBs remains the same under the existing fiscal system.
4. Issuance of inflation-indexed bonds began in March 2004, with the bonds’ principal and interest linked to the fluctuation of prices. The bonds’ redemption amounts are equal to their amount of principal at maturity, but the amount of interest at the time of each payment is calculated by multiplying the notional principal, which is calculated at the time of the interest payment and linked to the fluctuation of prices, by the coupon rate. The principal and interest of fixed-rate interest-bearing bonds do not change until redemption.
5. Three-year fixed rate bonds for individual investors started to be issued in July 2010.

2. Services related to the issuance of JGSs

This section explains the Bank’s role in the issuance of JGSs by following the flow of procedures for the issuance of general securities. Hereinafter, in this section the term “JGSs” refers only to general securities.

JGSs are, for the most part, issued in the market and bought by investors, mainly financial institutions and individuals, based on the principle known as market assimilation. This principle is backed by the following statutes and conceptions pertaining to the extension of credit to the government.

Article 5 of the Public Finance Act and Article 34 of the Bank of Japan Act both prohibit the Bank from underwriting JGBs and TBs or extending loans to the government, in principle. The acts to prohibit the central bank from extending credit to the government are drawn from lessons learned through the histories of major countries, including Japan. These lessons tell us that if a central bank were to provide credit to the government by, for example, underwriting JGBs and TBs, the government might lose its ability to maintain fiscal discipline (the self-discipline to balance revenues and expenditures). In such a case, there would be no brake to stop the government from making the central bank increase the amount of central bank money, which
would induce spiraling inflation. This would end up in a loss of confidence, both
domestically and internationally, in the country’s currency and its economic policy.

Major countries, including Japan, strictly prohibit central banks from extending
credit to their governments in an effort to avert the chain of negative events mentioned
above. In the United States, for example, the Federal Reserve Act allows the Federal
Reserve Banks to buy U.S. Treasury securities from the market, but prohibits them
from underwriting them. Moreover, in the 1951 accord between the Federal Reserve
Board and the U.S. Department of the Treasury, it was agreed that the Federal Reserve
Banks would not purchase U.S. Treasury securities through open market operations,
which were aimed at supporting the market assimilation (prices) of the treasury securi-
ties. In Europe, both the Maastricht Treaty, which came into effect in 1993, and the
European Central Bank Law based on the Treaty call upon participating countries to
establish similar provisions to prohibit their central banks from extending credit to the
government. This was given as one of the requirements to take part in the European
Monetary Union and the European System of Central Banks.

A proviso to Article 5 of the Public Finance Act allows the Bank to
extend credit to the government, up to an amount authorized by the Diet, in
exceptional cases. In practice, such cases are limited to the Bank’s underwriting
of JGBs and TBs from the government to refund at maturity the JGBs and TBs
that the Bank purchased through market operations.

In fiscal 1965, when Japan resumed issuing JGSs for the first time after
World War II, the only method available was underwriting by a syndicate made
up of banks, securities companies, insurance companies, and other financial
institutions (syndicate underwriting).\footnote{In the syndicate underwriting system, the members of a syndicate made up of major financial institutions offered JGSs to investors and, if they failed to sell the full amount of the issue, they purchased the remaining JGSs themselves. The method played a large role in facilitating the purchase of JGSs for about 40 years from the time Japan started issuing JGSs in January 1966.} Issuance through public auctions started
in fiscal 1978, aiming to have the terms of issuance better reflect prevailing market
conditions. Since then, the public auction system has become the major issuance
method and the syndicate system was abolished at the end of fiscal 2005.\footnote{Moreover, JGSs for individual investors were introduced in 2003, in order to expand the opportunities for individual investors to purchase JGSs. In addition to JGSs for individual investors, in 2007, a new over-the-counter (OTC) JGS sales method at financial institutions (two-year, five-year, and ten-year interest-bearing bonds) was introduced to further expand opportunities for individual investors. In contrast with the previous system, in the new OTC sales method, the JGSs are sold at private financial institutions at a price pre-fixed by the MOF (from 1988 until the start of the new OTC sales method, post offices were the only facilities that provided OTC services for individual investors to purchase JGSs). In the previous method, started in 1983, JGSs were sold by auction or at a price designated by the private financial institution that purchased the JGSs through the market.}
C. Services Related to JGSs

The following sections explain the procedure of how JGSs are issued through public auctions and their online processing using the Bank of Japan Financial Network System (BOJ-NET) JGB Services.

a. Public auction

When JGSs are issued through public auctions, the terms of the new issuance are determined through price-competitive auction. The total amount of JGS issuance is determined by adding up the amount issued through this type of auction together with the other types of auctions. Currently, public auctions are used for issuance of interest-bearing bonds with maturities of two, five, ten (including inflation-indexed bonds), 15 (floating-rate bonds), 20, 30, and 40 years, and TBs with maturities of six months and one year.

The procedures for the issuance of ten-year interest-bearing bonds through price-competitive auctions are as follows. After the total amount of JGS issuance in the fiscal year concerned is determined, the government (MOF) announces, one by one, the details of each auction, such as the issuance date and issuance amount. At the time of each auction, the government notifies the Bank of the terms of issuance (e.g., the issue number, issuance amount, coupon rate, and dates of issuance and maturity). The Bank then announces the auction, accepts bids on prices and amounts from participating financial institutions (hereafter, “auction participants”), and reports the results of the bids to the MOF. The MOF determines successful bids of which the auction participants are notified via the Bank.

In many cases, successful bidders and issue terms are determined by price-competitive auctions (conventional-style auctions). In this type of auction, successful bidders are determined from the highest bid until the total amount of

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31 Other types of auctions are as follows: (1) non-competitive auctions, carried out to facilitate bidding by smaller financial institutions that do not have access to bond market information, in which the price offered is equal to the weighted average price of the price-competitive auctions; (2) non-price-competitive auctions I, carried out for “JGB market special participants” at the same time as a price-competitive auction, in which the price offered is equal to the weighted average price decided at the price-competitive auction; and (3) non-price-competitive auctions II, carried out for “JGB market special participants” after a competitive auction is finished, in which the price offered is equal to the weighted average price in the price-competitive auction or the lowest accepted price in the yield-competitive auction.

32 In February 2009, TBs were unified with FBs under the name of T-Bills; however, the status of TBs and FBs remains the same under the existing fiscal system.

33 Based on the auction results, the MOF determines the amount of JGBs that each auction participant subscribes to.
issuance is fulfilled. For ten-year inflation-indexed bonds and 40-year interest-bearing bonds, however, successful bidders are determined by yield-competitive auctions (Dutch-style auctions). In this type of auction, bidders make competitive bids on yields, and all the successful bidders are offered bonds at a single price (see Figure 9-8).

b. Processing through the BOJ-NET JGB Services

As JGS issuance expanded, the Bank started to process services related to the issuance and underwriting of JGSs through the BOJ-NET JGB Services in 1990, so as to carry out these services safely and efficiently (see Chapter IV.D.1.d for an overview of the BOJ-NET). Banks, securities companies, money market brokers, securities finance companies, insurance companies, and other institutions participate in the system. The BOJ-NET JGB Services implement online processing of auction announcements, acceptance of bids, notifications of auction results, payments for newly issued JGSs, and credits to government deposits.

3. Services related to book-entry transfer of JGSs

Progress has been made in securities settlement with the establishment of a legal framework including the Act on Book-Entry Transfer of Bonds, etc., and the Act on Book-Entry Transfer of Company Bonds, Shares, etc., which has enabled securities issued since 2003 to be dematerialized. In January 2003, the full dematerialization of newly issued JGSs was realized. Following these changes in the legal framework, in order to further promote safety and efficiency in JGS settlement, the Bank converted the old system into the new JGB Book-Entry System and has been operating this system based both on designation under the Act on Book-Entry Transfer of Company Bonds, Shares, etc. (Article 47), and

34 Securities finance companies supply funds and securities to facilitate the smooth issuance and distribution of stocks and bonds. These companies are established and licensed under the Financial Instruments and Exchange Act to provide financial services.

35 Payment for newly issued JGSs is made by debiting financial institutions’ BOJ accounts.

36 Currently, JGSs can be held in three forms: (1) book-entry JGSs, where securities are held in the JGB Book-Entry System; (2) registered JGSs, where securities are held in the JGB Registration System (see Footnote 24 in Chapter IV); and (3) physical securities, where JGSs are held as paper certificates. As of the end of March 2010, the total amount outstanding of revenue securities and FILP bonds was about 673 trillion yen, the majority of which was book-entry JGSs.Registered JGSs accounted for only about 51.6 billion yen, and physical securities accounted for only about 26.1 billion yen.
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on authorization by the government under the Bank of Japan Act (Article 39, paragraph 1).

This system is composed of JGS holders (e.g., firms and individuals), direct and indirect participants\(^{37}\) (e.g., banks and securities companies), and the central securities depository (the Bank). This system has a tiered structure in which intermediaries, such as banks and securities companies, interpose themselves between JGS holders and the Bank acting as the central securities depository. Under the system, rights to own JGSs can be transferred by book entries on the accounts. The JGB Book-Entry System enables the delivery of JGSs to be completed only through the transfer between accounts on the books initiated at the request of the transferor (the seller) (see Figure 9-9).

This new system contrasts sharply with the old one in that no JGB certificates (physical securities) exist in the new system. In the old system, which was based on certificates, the transferor, who had deposited certificates with the Bank, instructed the Bank to transfer the possession of the physical securities from the transferor to the transferee, so that the transferee acquired the possession of the certificates. In other words, in the old system, ownership of JGBs was conferred and transfer became legally effective upon possession or delivery of certificates as represented by the balances or transfers recorded on the books. On the other hand, in the new system, the rights to own JGSs become effective immediately upon book entries being made (the increase and decrease in the respective accounts).\(^{38}\)

\(^{37}\) There are about 300 direct participants, such as city banks and securities companies, that hold direct participant’s accounts at the Bank. There are about 1,000 indirect participants, such as shinkin banks and securities companies that hold their own accounts at direct participants, and they open accounts for their customers with the approval of the Bank. In addition, there are about 100 foreign indirect participants, such as foreign banks and foreign securities companies that do not have business offices in Japan.

\(^{38}\) Book-entry JGSs do not acquire the legal structure of being deposited with the Bank. Therefore, the traditional package registration of physical JGSs deposited with the Bank is not carried out anymore. In this system, conversion of book-entry JGSs to physical JGSs or to registered JGSs is not admitted.
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Figure 9-9 Composition of How JGSs Are Held

(1) Book-Entry JGSs

- JGS holder
- JGS holder
- JGS holder
- Foreign indirect participant
- Indirect participant
- Direct participant
- Direct participant
- Central securities depository
- Bank of Japan

(2) Registered JGSs

- JGS holder
- JGS holder
- JGS holder
- Register institution
- Bank of Japan

(3) Physical Securities

- JGS holder
- Issuance of JGSs in certificates
- Government

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4. Services related to payment of principal and interest on JGSs

As for the payment of principal and interest on JGSs, the Bank calculates the amount of funds needed for principal and interest payments of JGSs (the funds for redemption of public bonds and payment of interest on public bonds) based on the amount of JGSs outstanding, and asks the government (MOF) to transfer the funds to the government deposits at the Bank from the Special Account for Government Debt Consolidation Fund.\(^{39}\) The Bank then debits government deposits to make payments for the principal and interest through the Bank’s Head Office and branches as well as through its agent financial institutions throughout Japan. For payments made through financial institutions nationwide that act as agents, the Bank credits the current account it holds for the relevant agent financial institution.

In practice, the methods for principal and interest payments depend on how the JGSs are held. In the case of book-entry JGSs, the Bank, as the central securities depository, receives principal and interest on behalf of all the JGS holders from the government (MOF) and credits the funds directly to participants’ BOJ accounts; and the participants then pay their customers.\(^{40}\)

5. Services related to the custody of securities

Pursuant to Article 36 of the Bank of Japan Act, and Article 35 of the Public Accounting Act, the Bank provides custody, transfer, book-keeping, and accounting services for the following two types of securities: (1) the securities owned by the government, which are either securities the government has purchased as a means of investing through the Fiscal Loan Fund surpluses, or those it has accepted from taxpayers as payment for inheritance tax; and (2) the securities held by government agencies as collateral for postdated payment of postal charges or election deposits. The types of securities eligible for deposits at

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\(^{39}\) The special account was established in 1906. Funds in this account are used to redeem JGSs regularly, in order to equalize the government’s fiscal burden and maintain the creditworthiness of JGSs. Funds for redemption of JGSs are in principle appropriated from the general account of the government budget every fiscal year.

\(^{40}\) For registered JGSs, payment is made to the registered owner of the JGSs, in exchange for a certificate of receipt sent in advance by the Bank, at the Head Office or branches of the Bank, treasury agents, JGS agents, or JGS paying agents that are specified by the JGS holder as the place of payment. For JGS certificates (physical securities), payments are made in exchange for certificates or coupons at the Head Office, branches of the Bank, treasury agents, JGS agents, and JGS paying agents. The Bank collects the certificates and coupons used for payment of principal and interest, examines and classifies them by type, and either holds them or disposes of them.
the Bank by the government for these services include physical JGSs, municipal bonds, stocks, and corporate bonds. These services are available at some treasury agents as well as the Head Office and branches of the Bank.