

Report by Forum Towards Making Effective Use of the New BOJ-NET

14 March 2014

Forum Towards Making Effective Use of the New BOJ-NET

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Report by Forum Towards Making Effective Use of the New BOJ-NET

1. Introduction

This forum (the Forum) was established for discussion among market participants, including financial institutions that use the BOJ-NET, about how to make the most of the new BOJ-NET and, for that purpose, how long, if at all, its operating hours should be extended and when such extension should be implemented.

The new BOJ-NET now under development will be equipped with the technical capacity to operate substantially longer hours.¹ In January this year, the new BOJ-NET launched part of its services. All the remaining services are scheduled to migrate to the new BOJ-NET some time between the autumn of 2015 and the beginning of 2016.

The Bank of Japan has published a consultative document that explains its plan on the operating hours of the new BOJ-NET upon the completion of its development. The plan is as follows: 1) the new BOJ-NET Funds Transfer Services (FTS) and JGB Services (JGBS) will start their daily operation earlier than at present, namely at 8:30 (7:30 on the last business day of the month); and 2) the new BOJ-NET will maintain the current operating hours for FTS and extend those for JGBS resulting in the same operating hours until 19:00 for both services. In the document, the Bank made clear its intention of contributing to a range of policy objectives, including improvements in the safety and efficiency of Japan's payment and settlement system, the revitalisation of the financial market and enhancement of financial services, with financial institutions making effective use of the new BOJ-NET as essential infrastructure in Japan's payment and settlement system. The Forum was created in response to this invitation from the Bank of Japan. The Bank mentioned the possibility of further extension of the operating hours of the new BOJ-NET not only after but also upon the completion of its full launch on the conditions that the discussions of the Forum clearly demonstrate the need (for further extension) among BOJ-NET users and that such further extension is operationally feasible.

Against this background, discussions of the Forum focussed on the length of the possible extension of the operating hours of the new BOJ-NET and the timing of such

¹ Please go to the website of the Bank of Japan for detailed information (in Japanese only) on the features of the new BOJ-NET and the schedule for its development and implementation.

extension.² This report summarises the results of the discussions by the financial institutions and the associations of financial institutions that participate in the Forum.

2. Surrounding Factors

Factors that are expected to exist around the time of the full launch of the new BOJ-NET (i.e. some time between the autumn of 2015 and the beginning of 2016) include: further development of overseas business by Japanese companies and financial institutions, increasing JGB holdings by non-residents and increasing global need for collateral assets. These factors are likely to lead to cross-border use of abundant domestic financial assets in Japanese yen as collateral and greater opportunities for enhancing payment and settlement services for companies developing business overseas or for non-residents.

(1) Provision of payment services for Japanese companies developing business overseas

As Japanese companies are expanding their business in Asia and other regions, there is a growing need for such companies to transfer funds within Asia. In the future there will also be a greater need for Japanese companies to pool funds among affiliated entities. Financial institutions in Japan could provide services that support such needs of companies for cross-border payments. However, there are some obstacles for same-day settlement in Japanese yen at the moment while same-day settlement services in US dollars within Asia are already available.

(2) Development of overseas business by Japanese financial institutions

As Japanese financial institutions increase overseas lending and other assets denominated in foreign currencies, there will be a greater need for stable sources of funding in foreign currencies. Against this background, it will be more valuable if financial institutions in Japan can strengthen funding in foreign currencies by means of cross-currency repos and foreign exchange swaps, using the abundant domestic financial assets denominated in Japanese yen that they have on their balance sheets.

Further in the future, it is worth noting the possibility of wider use of same-day foreign exchange swaps for funding in foreign currencies. For example, after the introduction

² The Forum had its first meeting in August and has held nine meetings altogether. Please go to the website of the Bank for the minutes of each meeting (in Japanese only).

of the same-day settlement session for North American currencies in September 2013, CLS has started to examine the possibility of adding new currencies for a same-day session. It is conceivable that the Japanese yen will join such an additional session in the future.

(3) Increasing JGB holdings and transactions by non-residents

As more and more non-residents invest in JGBs, there are growing opportunities for financial institutions in Japan to extend their JGB (global or sub-) custody services by providing safe, efficient and convenient settlement services in response to non-residents' needs for settlement.

In this respect, the changes to the tax system concerning Japanese bonds, which will be put into effect in January 2016, will simplify related tax procedures and can be expected to help to increase the volume of JGB transactions by non-residents. In the future, the settlement of JGB transactions by non-residents may be facilitated further by possible changes in market practices and creation of a market infrastructure that are under consideration in the context of the possible further shortening of JGB settlement at the earliest possible time after 2017.

(4) Increasing global need for collateral assets

The forthcoming implementation of various international regulations would increase demand for high-quality collateral assets. For example, demand for high-quality liquid assets is expected to increase as a result of the Liquidity Coverage Ratio (LCR), which is scheduled to phase in from January 2015 onward. As for the regulations for over-the-counter (OTC) derivatives transactions, mandatory central clearing of standardised OTC derivatives transactions would increase demand for collateral to be posted to central counterparties (CCP). In addition, margin requirements for non-centrally cleared derivatives, which are scheduled to phase in from December 2015 onward, are likely to increase the total amount of posted collateral and have a significant operational impact because of the resulting frequent deliveries of collateral.

Meanwhile, reflecting recent developments including the European sovereign debt crisis, it is pointed out in Europe and elsewhere that there is a higher dependency on secured transactions and an uneven distribution of high-quality assets. Against this background, there is a growing interest in "collateral swap" transactions, where JGBs owned by financial institutions in Japan are swapped for foreign securities owned by

financial institutions in Japan or abroad.

As explained above, it is becoming more important to optimize the use of collateral across borders and to move collateral flexibly. Under these circumstances, enabling the greater use of JGBs as high-quality collateral assets will benefit not only financial institutions in Japan but also financial institutions abroad and ultimately global financial systems.

(5) Preparation for future changes in financial environments

Under low interest rates and abundant liquidity, Japanese financial institutions and companies have not necessarily been keen to increase efficiency in the use of their funds and collateral by improving financial market infrastructure and the payment and settlement services offered by financial institutions. After the completion of the full launch of the new BOJ-NET, however, together with the phased-in implementation of international regulations mentioned above, such environments may change substantially.

3. Value of extended operating hours of the new BOJ-NET in its effective use

In light of the surrounding factors mentioned in Section 2, it is necessary to consider extending the operating hours of the new BOJ-NET as one of the preconditions in order to make effective use of the new BOJ-NET with the aim of improving the safety and efficiency of Japan's payment and settlement system. As global financial transactions continue to increase, the safety and efficiency of Japan's payment and settlement system will be further enhanced, for example, if the time lag between two legs of cross-border transactions is shortened, or if cross-border customer transfers are completed faster, by increasing the overlap of the operating hours of the new BOJ-NET with those of overseas payment and settlement systems. In addition, extending the operating hours will improve the ability to deal with contingency situations affecting payment and settlement systems, financial markets, or individual financial institutions in Japan. Moreover, improving the convenience of the settlement in Japanese yen will expand the use of Japanese yen globally and this in turn will improve the convenience of JPY settlement, creating a virtuous cycle.

Meanwhile, the Recommendations for Vitalizing Financial and Capital Markets released by the Panel for Vitalizing Financial and Capital Markets of the Japanese Government in December 2013 also points out as follows: "Further improvements must be made to

Japan's financial market infrastructures, such as extension of the operating hours of the Bank of Japan Financial Network System (BOJ-net), to foster an environment to make it easier for Japanese companies and financial institutions to smoothly access local currencies and manage cash efficiency on a global basis, including their overseas business locations.”

Improvement of the safety of Japan's payment and settlement system

If the new BOJ-NET operates during the night, there will be a larger overlap between the operating hours of overseas payment and securities settlement systems and those of the new BOJ-NET FTS and JGBS. This will make it possible, for example, to shorten the time lag between the delivery of JGBs and the receipt of foreign currency or collateral assets denominated in foreign currency, which will contribute to the reduction of the principal risks arising from the payment of funds or delivery of securities made to a counterparty in advance of receiving securities or funds in exchange from the counterparty. It will also help financial institutions in Japan to improve their credit risk management if they can receive JGBs as collateral promptly at night time when they make collateral calls to financial institutions in Europe or the US.

The extension of the operating hours of the new BOJ-NET can also help financial institutions to strengthen their ability to deal with liquidity risk if the extension makes it easier for them to transfer funds or deliver collateral for funding transactions promptly at night time.

Furthermore, if night-time operation of the new BOJ-NET facilitates the settlement of customer transfers on a same-day basis, not on the next business day (which is currently the case), risks associated with a back-log of unsettled transactions will be reduced.

Improvement of the efficiency of Japan's payment and settlement system and expansion of profit opportunities for Japanese financial institutions

The extension of the operating hours of the new BOJ-NET will enable financial institutions to improve efficiency in their use of funds and collateral. Under the current operating hours, cross-border transactions face certain challenges: funds can only be received on the next business day at the earliest; funds can only be invested on the next business day at the earliest, leaving the funds idle without earning interest; and collateral needs to be delivered in advance on the previous business day at the latest. The extension of the operating hours of the new BOJ-NET provides one of the

preconditions for realising the same-day settlement of these cross border transactions.

Financial institutions could make good use of the new BOJ-NET at night time in expanding their business. For instance, supporting their corporate customers with their global cash management by providing faster fund transfers from overseas under the night-time operation of the new BOJ-NET is likely to have a positive impact on the expansion of overall customer business. If financial institutions can diversify their means of funding in foreign currencies by increasing cross-currency repos and foreign exchange swaps under night-time operation, this will help them to strengthen the foundations for extending their overseas business.

Improving the ability to deal with market-wide or idiosyncratic stresses

In addition to the benefits discussed above, night-time operation of the new BOJ-NET could improve the ability of financial institutions in Japan to deal with disruptions at payment and settlement systems or the whole financial market, which will ultimately help to contribute to the stability of the global financial system. In March 2003, for instance, a system disruption in CLS left approximately 30 percent of foreign exchange transactions of that date unsettled until the next business day, which affected JPY funding of financial institutions on the day of the incident. The extension of the operating hours of the new BOJ-NET will extend the scope for dealing with such situations more effectively. In light of this experience, longer operating hours of the BOJ-NET will lead to higher readiness of financial institutions in an emergency.

Further, individual financial institutions will find it beneficial if there is a payment and settlement infrastructure that they can always use at night by their own decision and choice in the event of an idiosyncratic stress.

Benefits for financial system and financial markets as a whole in Japan

The improvement of the safety and efficiency in the payment and settlement system in Japan through effective use of the new BOJ-NET as discussed above will help to globalise JPY settlement, strengthen the stability and international competitiveness of the Japanese financial system through more effective use of JPY-denominated assets, revitalise Japanese financial markets, and enhance financial services provided by financial institutions in Japan.

4. Types of Night-time Transactions

Typical types of transactions using the new BOJ-NET at night time include: 1) the greater use of JGBs in global financial markets and 2) cross-border customer transfers in Japanese yen.

(1) Greater use of JGBs in global financial markets

An illustration of possible transactions for the greater use of JGBs in global financial markets and the value of such transactions

There are two possibilities for the greater use of JGBs in global financial markets that could be achieved with the extension of the operating hours: 1) diversifying sources of funding in foreign currencies by using JGBs as collateral and 2) expanding derivatives business in global financial markets by using JGBs as collateral (see Chart 1).

Examples of the diversification of sources of funding in foreign currencies by using JGBs as collateral are: 1) a repo transaction to make prompt funding in foreign currency that is needed during the day in local time in Europe (which involves a transfer of JGBs to an overseas entity at night time in Japan); and 2) a combination of a repo transaction to raise funds in Japanese yen and a foreign exchange swap transaction to swap these funds for foreign currency (to purchase corporate bonds in the US market). As for the first example, since the size of each settlement tends to be very large in value, extension of the operating hours makes it possible to reduce settlement risk associated with the time lags between the delivery of JGBs and the receipt of foreign currency. Likewise, extension of the operating hours enables substitutions of JGBs for foreign securities in the repo market in a flexible and safe way, which is regarded as a benefit.

Examples of the expansion of derivatives business in global financial markets by using JGBs as collateral are: 1) posting JGBs as collateral promptly to foreign CCPs, in particular, when margin requirements are made during the day in local time; and 2) posting JGBs as margin for non-centrally cleared derivatives as required by regulations.

Issues to be addressed to enable transactions

In order to enable greater use of JGBs in global financial markets, it is required to review a range of issues including possible impacts on the batch processing of each participant after the closing of the BOJ-NET, how to address the operational burden at night time, possible impacts that night-time DVP transactions may have on liquidity management, and the possible need for changes to the current market practices for JGB

settlement (see 5. (3) for detail).

Furthermore, it is required to request and induce relevant parties such as CCPs, international central securities depositories (ICSDs) and their sub-custodians, clearing brokers, and trading counterparties in Asia and Europe to adjust their operation (including changes to cut-off time and collateral hair-cut rates) in accordance with the extension of operating hours.

In addition, it is important to share broadly common views among market participants on how to choose settlement with ICSDs or with global custodians who compete in the improvement of service level, and to discuss possible improvements such as measures to enhance the mobility of securities across settlement systems and custodians.

It is also useful to promote the use of “Shin-gensaki,”³ which is in line with the global standard, in order to enable greater use of JGBs in global financial markets.

(2) Cross-border customer transfers in Japanese yen at night time

An illustration of transactions of customer transfers at night time and the value of such transactions

There would be broadly two patterns of customer transfer that involve the new BOJ-NET: 1) customer transfers from an overseas customer to a domestic customer and 2) customer transfers from an overseas customer to another overseas customer through an intermediary bank in Japan. In the first case, an overseas customer transfers funds from a local sending bank to a customer who holds an account with a receiving bank in Japan. In the second case, funds in Japanese yen are transferred, for example, from a bank in Indonesia to a bank in Thailand via financial institutions in Japan (see Chart 2).

These transactions enable same-day crediting on the receiver’s account and same-day delivery of funds between the sending and receiving banks, and are expected to enhance the convenience of the settlement of JPY funds. Faster cross-border customer transfers in this manner enable cash pooling among affiliated companies and contribute to improve efficiency in funding by companies and reduce the legal risk (associated with the acceptance of funds transfer instructions) by a faster completion of transfers. Furthermore, these would help to further globalise JPY settlement as the volume of JPY

³ A “Shin-gensaki” contract is a repo transaction under the Master Agreement on the Transaction with Repurchase Agreement of the Bonds, etc. as revised in 2001.

transactions will increase.

With regard to these transactions, it is desirable to consider not only transfers from abroad to Japan but also those from Japan to abroad. In addition, it will bring more benefit if the scope of services covers not only cross-border customer transfers in the afternoon in Asia but also those in the morning in Europe.

Issues to be addressed to enable transactions

In enabling overseas customer transfers at night time, it is necessary to consider: 1) the possible impact on the batch processing of each participant after the closing of the BOJ-NET; and 2) the operational procedures at night time. As for the second issue, the operational burden could be reduced in the mid-to-long term by achieving a higher level of STP (straight-through processing) or by establishing global operation, depending on the length of the possible extension of the operating hours. In addition, it will promote the use of new night-time services to inform financial institutions and customers not only in Asia but also in Europe of the new services well in advance.

Further, with an aim of facilitating initiatives by individual members of the Forum, several action points have been identified and discussed. These points include: 1) issues to be decided upon and addressed by each financial institution; 2) issues to be bilaterally agreed upon among financial institutions sharing common objectives; and 3) issues to be discussed among multiple financial institutions and possibly agreed as multilateral agreements once it becomes clear that the volume of transactions is likely to reach a considerable size.

Going forward, it is expected that individual financial institutions will continue their preparation of the operational procedures and coordinate with each other on concrete issues in light of the details of discussions at the Forum with the aim of enabling cross-border customer transfers at night time.

(3) Other types of transactions

In addition to the types of transactions discussed above, there will be greater scope for same-day foreign exchange transactions used for funding purposes if the extension of the operating hours is realised. Further, the settlement of funds in Japanese yen will become more convenient if the CLS expands its settlement currencies to include Japanese yen for its same-day settlement, enabling the US dollar to be borrowed against

Japanese yen by same-day foreign exchange swaps under longer operating hours.

In addition, it is important to take a flexible approach that does not exclude types of night-time transaction that are currently not expected to occur. For example, it is useful to view cross-border and domestic transactions in an integrated manner and consider possible future ways to make good use of the new BOJ-NET for the purpose of domestic retail payments, including bank credit transfers, in addition to cross-border customer transfers in Japanese yen.

5. Operating Hours

The operating hours of the new BOJ-NET would need to be extended further beyond 19:00 in order to enable the ways of effective use of the new BOJ-NET examined in the Forum. In doing so, it is desirable to take a phased approach based on a roadmap which has both short-term and mid-to-long-term perspectives. Specifically, the operating hours could be extended to 21:00 soon after the full launch of the new BOJ-NET as an initial step and the possibility of further extension could be explored in the future.

(1) Approach to the extension of operating hours

When the Bank of Japan intends to extend the operating hours of the BOJ-NET, which is a primary payment and settlement infrastructure in Japan, an announcement made by the Bank with sufficient lead time will assist BOJ-NET user financial institutions in their efforts to build up new and better payment and settlement services (ahead of the extension of the operating hours).

One possible approach would be to leave it to each user financial institution to decide whether or not to use the BOJ-NET at night time upon the extension of the operating hours and to expand in a step-by-step manner its payment and settlement operation and customer services at night time considering issues which need to be addressed, such as operational procedures and system developments. At the same time, it should be noted that in the field of payment and settlement, the provision of payment and settlement services will only be possible once both parties of the transaction, such as a buyer and a seller of JGBs or a sender and a receiver of funds, have addressed the issues associated with the extension.

In addition to short-term measures to be taken after the full launch of the new BOJ-NET, mid-to-long-term measures would be worth considering in anticipation of future changes in the relevant framework or financial environments. Under the current low interest rates, it may be difficult to see positive effects of improving the efficiency in the use of funds. However, because it takes time to implement changes to IT systems and operational procedures that would be required to enable night-time use of the BOJ-NET, it is important to keep a long-term perspective in exploring possible new ways of using the BOJ-NET at night time.

Based on these points, the Forum made a roadmap (Chart 3) with an understanding that it is useful for interested parties to share the goals, including mid-to-long-term goals.

(2) Approximate target of the length of extended operating hours

As shown on the roadmap, the phased approach will be appropriate in extending the operating hours of the new BOJ-NET, based on the anticipated future progress in the efforts to enable transactions including those types mentioned in Section 4. Specifically, in Phase I (a period between some time around the full launch of the new BOJ-NET and the beginning of Phase II), the operating hours would need to be extended until 21:00. In Phase II (after the start of the shortening of the JGB settlement cycle and the full implementation of the international regulations mentioned in Section 2.(4)), the possibility of further extension in the future will be explored in light of night-time traffic, changes in surrounding factors and other relevant factors.

Phase I

In Phase I, the extension until 21:00 will enable financial institutions to make fund transfers on a same-day basis in the evening in Asia as well as in the morning in Europe. The extension will result in a larger overlap in operating hours between Japanese and European payment and settlement systems, which will greatly benefit financial institutions given that it is mainly in the London market that JGBs are used extensively outside Japan. In addition, as major CCPs are located in Europe, it is expected that the extension will also help financial institutions to post and receive JGBs as collateral to and from the CCPs in a prompt manner. It will also enable them to do same-day foreign exchange swaps both at normal times and in an emergency.

Financial institutions would be able to establish operational procedures that may be needed for the extension until 21:00, including those action points identified by the

Forum (see (3) below). Each financial institution is required to make continuous efforts to establish the necessary operational procedures by the time of the extension in cooperation with other interested parties.

Phase II

In Phase II, in light of night-time traffic, changes in surrounding factors, the shortening of the JGB settlement cycle and developments in other payment and settlement systems in Japan, the possibility of further extension could be explored with a view to creating an overlap with US markets, which would lead to drastic improvements in funding on a global basis. The possible use of the BOJ-NET includes posting/receiving JGBs as collateral to/from CCPs and counterparties of repo transactions in the US and the settlement of same-day foreign exchange swaps.

The extension of the operating hours beyond 21:00 will require financial institutions to establish a global operational structure. This issue together with others needs to be addressed if further extension of the operating hours beyond 21:00 should be realised. In addition, the possibility of DVP linkage with overseas payment and settlement systems and the way of accessing the BOJ-NET will also need to be reviewed.

(3) Operational procedures

IT system and staffing

A majority of the Forum members consider it possible to address the requirements in terms of the IT system to enable the extension of the operating hours up to 21:00 with no or minimal changes to the existing IT system. For transactions at BOJ-NET JGB services (in particular, FOP JGB transactions), the size of necessary IT developments would be relatively small. Given the expected volume of transactions, some pragmatic operational procedures can be an option for an interim solution before the development of an IT system of considerable size is done, such as manual processing (e.g. BOJ-NET users that otherwise use computer-to-computer connections use BOJ-NET terminals for night-time transactions) or the use of a separate system where night-time transactions are booked on a same-day basis and rebooked into a main booking system on the next business day with the transaction date of the day before.

In terms of staffing, financial institutions and the Bank could establish operational procedures and decide on the content and level of their services in a flexible manner according to the volume and types of transactions.

Liquidity management at night time

Considering the types of transactions that are expected if the operating hours are extended up to 21:00 in Phase I, there would be little need to create money markets or JGB repo markets for liquidity management at night time by the start of Phase I.

- The main purpose of the use of the BOJ-NET FTS would be cross-border customer transfers in Japanese yen. Financial institutions could address possible market impacts on their liquidity management arising from those transactions by entering into a new interbank transaction (with the receiving bank), as needed, to create an opposite flow of funds that offsets that of the customer transfers.
- The main purpose of the use of the BOJ-NET JGBS would be FOP transactions (which transfer securities only). While there will possibly be some DVP transactions that transfer JPY funds against JGBs, it is assumed these transactions would take place only to the extent that such transactions would cause no unmanageable impacts on funding.

It is conceivable to start reviewing the need of new market practices in light of the volume of transactions in Phase I after the extension up to 21:00 and in view of Phase II. As for cross-border customer transfers in Japanese yen, for example, as soon as it becomes clear that the volume of transactions is likely to become considerable, review work could start with regard to: 1) whether or not it is needed to integrate bilaterally established, concrete procedures for doing the offsetting interbank transactions described above into market-wide practices in money markets; and 2) whether or not a night-time money market needs to be created.⁴

Market practices of JGB settlements

With regard to market practices of JGB settlements, assuming that there would be only a limited need to do night-time transactions to address failed transactions under the possible extension of the operating hours up to 21:00 in Phase I, market practices that would also take into account (night-time) transactions after the end of Core Hours, in light of the manner in which transactions will be done in Phase I, would be explored in view of Phase II.⁵

⁴ Under the draft money market practices that address the features and specifications that will be introduced upon the full launch of the net BOJ-NET, it is possible for financial institutions to conduct money market transactions at night time if both parties agree to do so.

⁵ Under the new market practices for JGB settlement that address the features and specifications that will be introduced upon the full launch of the net BOJ-NET, it is possible for financial institutions to settle failed transactions at night time if both parties agree to do so.

The Forum notes the possibility of benefiting in Phase II from the potential synergies between the further shortening of the JGB settlement cycle and the extension of the operating hours. Given that the views expressed in the Forum that it is desirable to shorten the settlement cycle for transactions with non-residents, it would be necessary to review whether or not the current market practices could remain unchanged.

(4) Timing of the start of extension of operating hours

In view of the surrounding environments identified above, the value of the extended operating hours under such environments and the expected types of transactions, it is desirable to extend the operating hours up to 21:00 as soon as possible.

However, in the period between the autumn of 2015 and the beginning of 2016, during which the full launch of the new BOJ-NET is scheduled, major IT system developments and changes to operational procedures will occur, e.g. in the preparation of the planned changes to the taxation on earnings from holdings of Japanese bonds in January 2016.

It is acknowledged that it is difficult to have informed discussion before the date of the full launch of the new BOJ-NET is determined. Therefore, it is desirable for the concrete date of the start of the extension to be announced as soon as the date of the full launch is determined.

6. Further Actions

The Forum identified action points that need to be addressed with regard to the several types of transaction that are currently expected to take place. Going forward, individual financial institutions, together with possible counterparties, will address the action points in order to enable these transactions. In doing so, it is important for the Forum members and relevant market participants to continue active exchanges of their views and experiences.

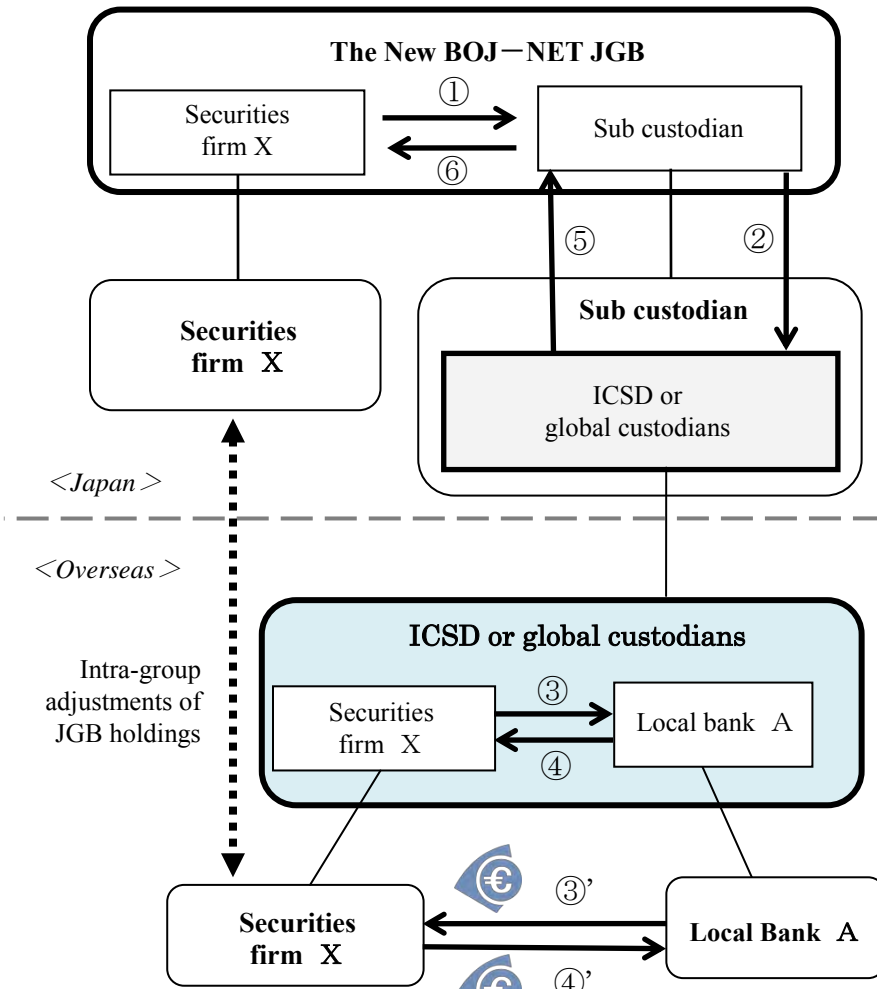
Further, after the expansion of the operating hours up to 21:00 has been implemented, it is desirable for the Forum members and relevant market participants to monitor night-time transactions and review the need for additional ways to make effective use of the BOJ-NET and the need for changes to market practices.

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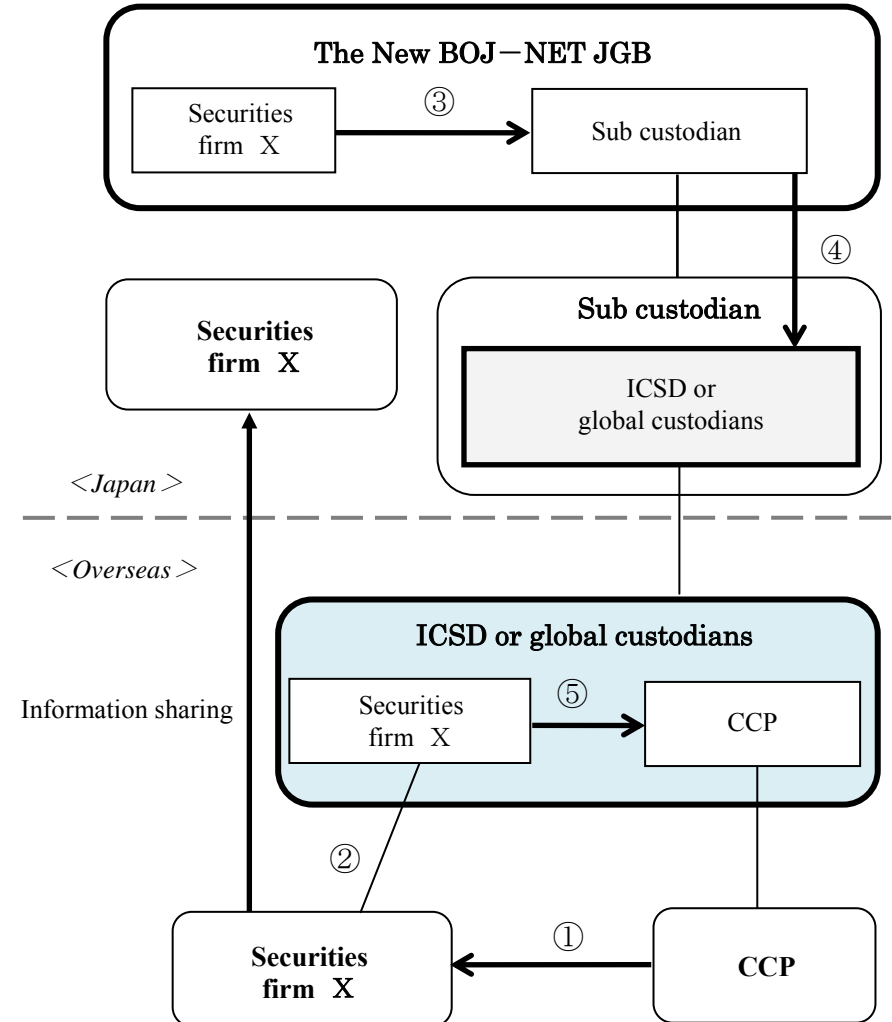
Greater Use of JGBs in Global Financial Markets

Chart 1

(1) Funding in foreign currency by using JGB collateral



(2) Posting JGBs as collateral to foreign CCPs



Underlying transactions:

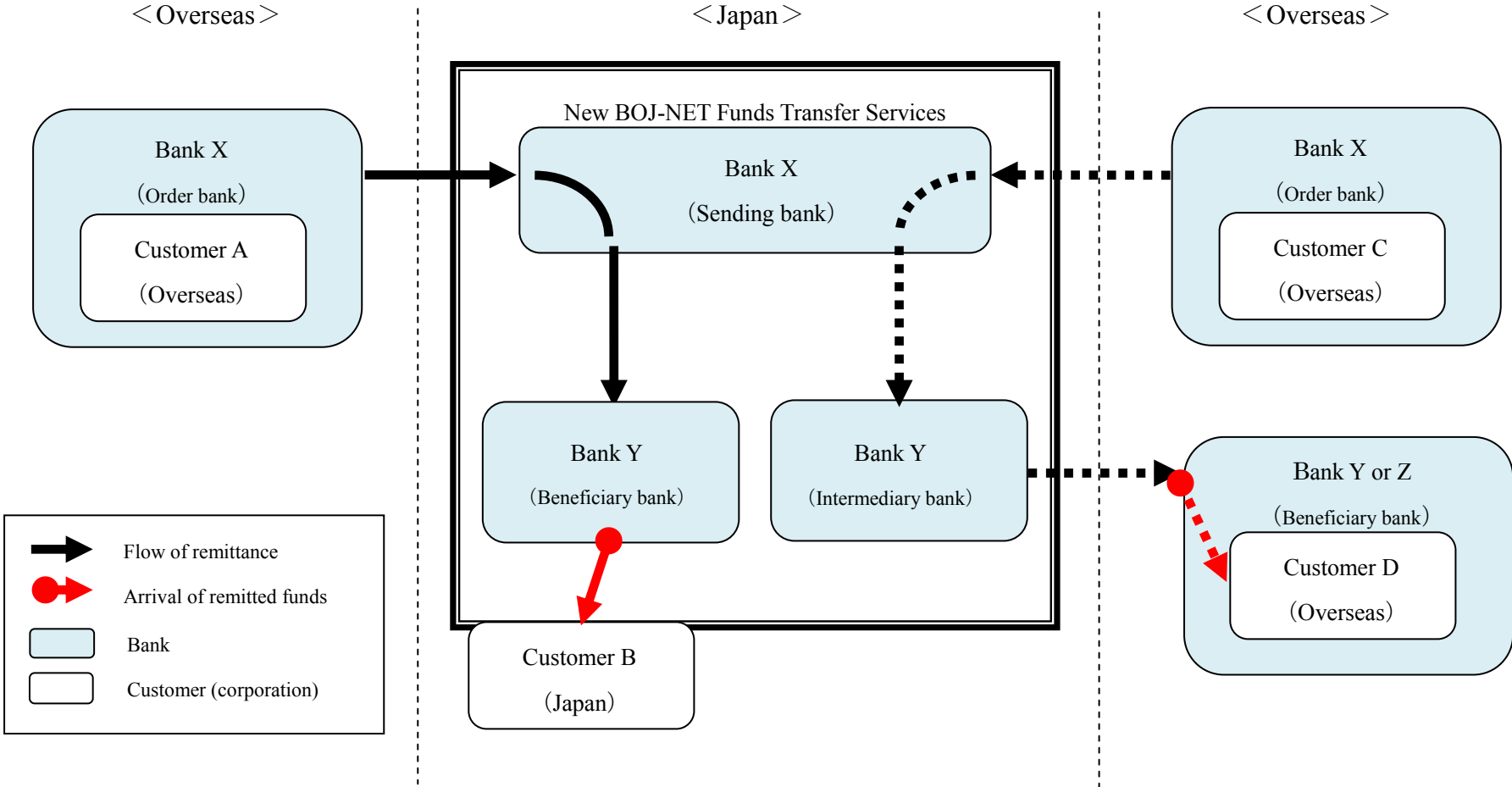
- Cross-currency repo against JGB collateral
- Posting of JGB collateral to foreign CCPs and trading partners

Transaction Flows of Cross-border Customer Transfers

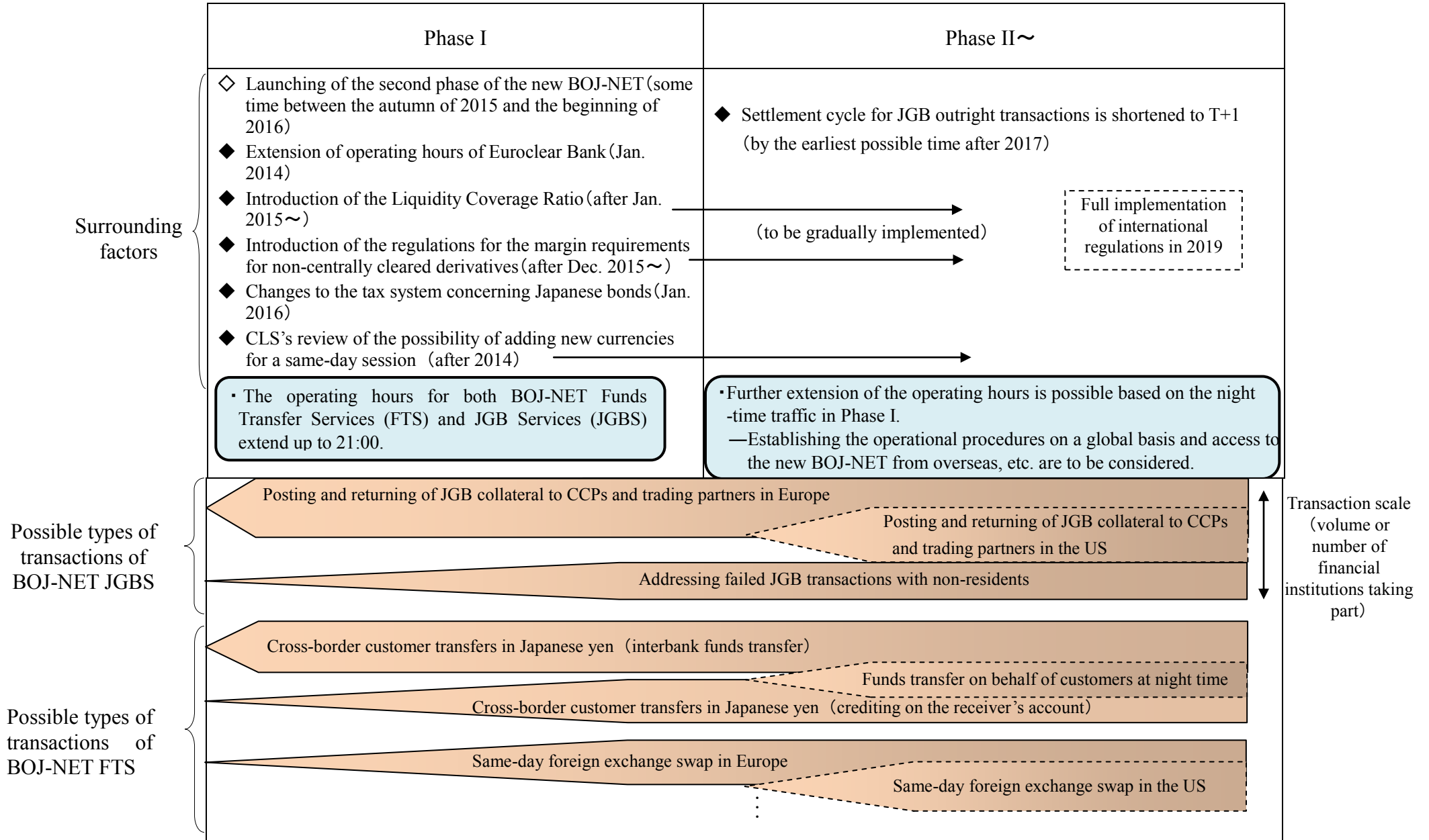
- Two types of cross-border customer transfer using the new BOJ-NET at night time

① Remittance from overseas to Japan

② Remittance from overseas to overseas



Roadmap of Extension of Operating Hours of New BOJ-NET



List of Forum Members

Financial Institutions

Barclays Securities Japan Limited
Citibank Japan Ltd.
Daiwa Securities Co. Ltd.
Goldman Sachs Japan Co., Ltd.
JPMorgan Chase Bank, N.A., Tokyo Branch
Mizuho Bank, Ltd.
Mizuho Securities Co., Ltd.
Morgan Stanley MUFG Securities Co., Ltd.
Nomura Securities Co., Ltd.
Resona Bank, Limited.
SMBC Nikko Securities Inc.
Sumitomo Mitsui Banking Corporation
Sumitomo Mitsui Trust Bank, Limited
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
The Norinchukin Bank

Industry Associations

Association of Call Loan and Discount Companies
International Bankers Association of Japan
Japan Securities Dealers Association
Japanese Bankers Association
Regional Banks Association of Japan
Tanki Kinyu-shijou Torihiki Kasseika Kenkyukai⁶
The National Association of Shinkin Banks
The Second Association of Regional Banks
Trust Companies Association of Japan

Guest Speakers

Euroclear Bank Tokyo Representative Office (2nd Meeting)
Clearstream Banking Japan, Ltd. (3rd Meeting)
CLS Tokyo Representative Office (4th Meeting)

Forum Secretariat

Payment and Settlement Systems Department, Bank of Japan

⁶ A group of market participants that discusses issues regarding money market transactions.