

Toward Development of Robust Payment and Settlement Systems

*Speech at a Symposium Commemorating the 25th Anniversary of
the Center for Financial Industry Information Systems*

Masaaki Shirakawa
Governor of the Bank of Japan

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Outline

I. Introduction

II. Performance of Japan's Payment and Settlement Systems during the Recent Crisis

III. Challenges Confirmed from the Experience of the Financial Crisis

IV. The Bank's Involvement in Payment and Settlement Systems

V. Closing Remarks

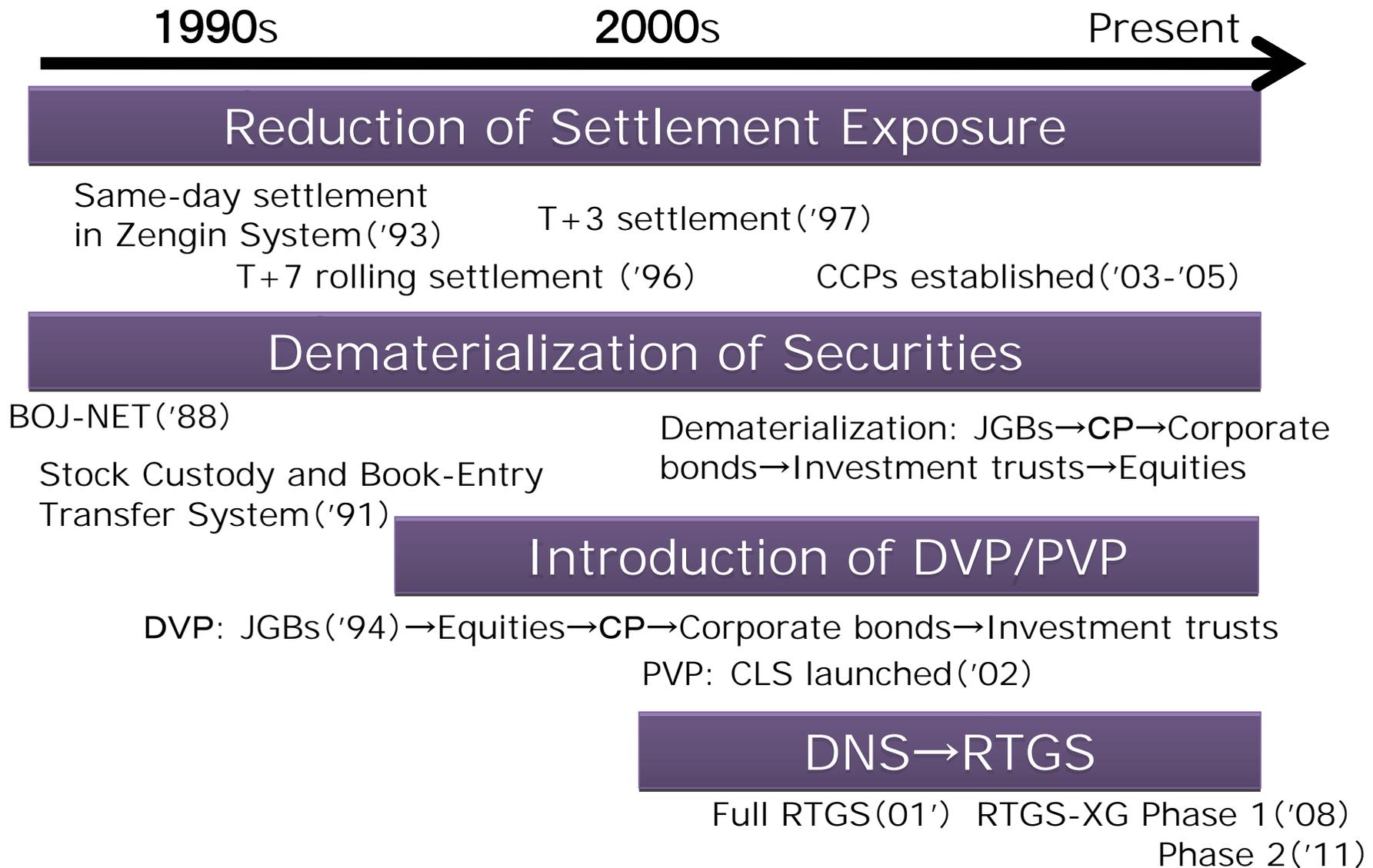
I. Introduction

II. Performance of Japan's Payment and Settlement Systems during the Recent Crisis

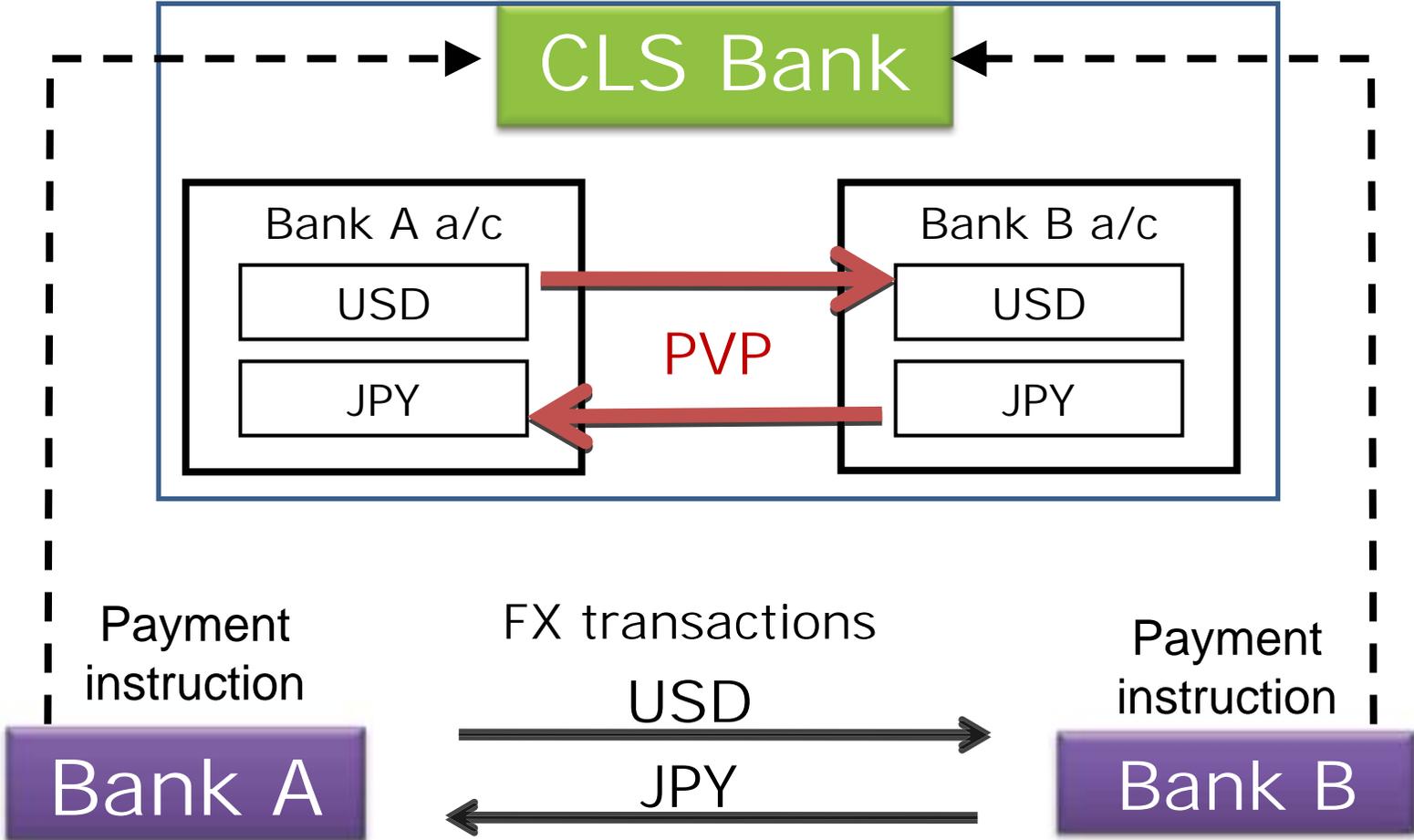
- Assessment of past efforts in reducing settlement risks
- Elimination of foreign exchange settlement risk
- Ensuring settlement of JGB transactions

(Chart 1)

Improvements in Payment and Settlement Systems



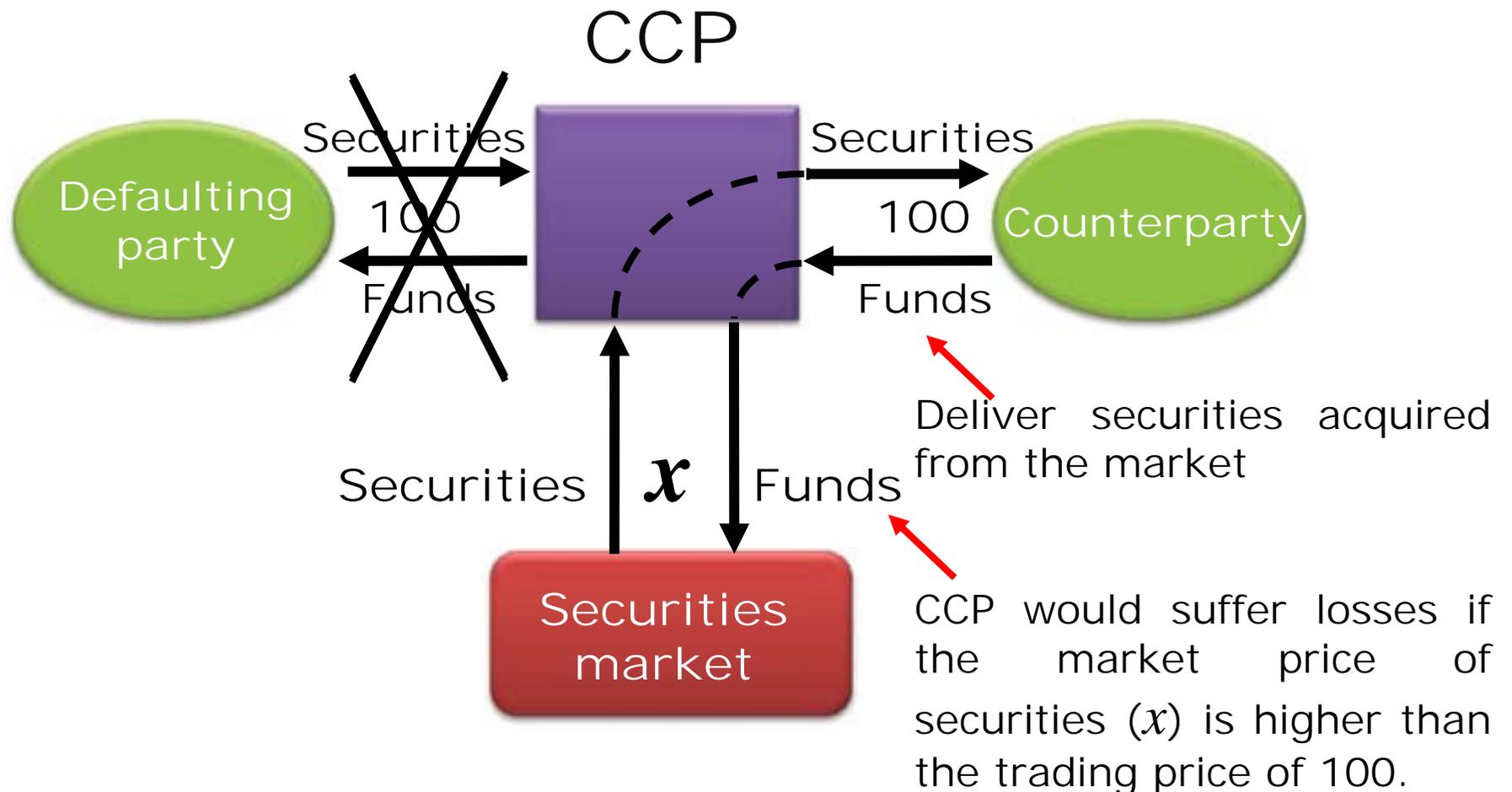
Settlement at CLS Bank (Chart 2)



CLS : Continuous Linked Settlement

PVP : Payment versus Payment

Guarantee of Settlement by CCP



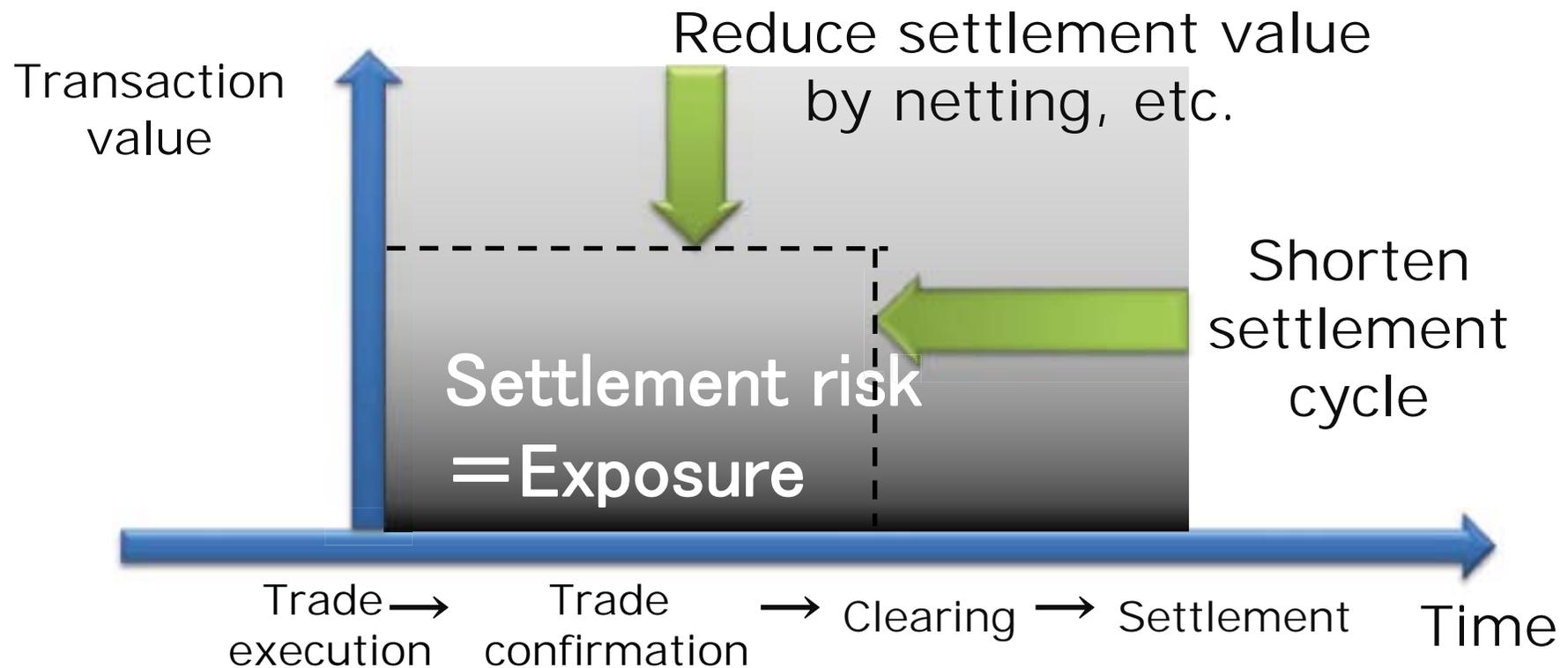
III. Challenges Confirmed from the Experience of the Financial Crisis

- Reducing the size of outstanding settlement positions
- Taking appropriate measures depending on the state of interconnectedness
- Enhancing alternative arrangements for critical settlement functions

(Chart 4)

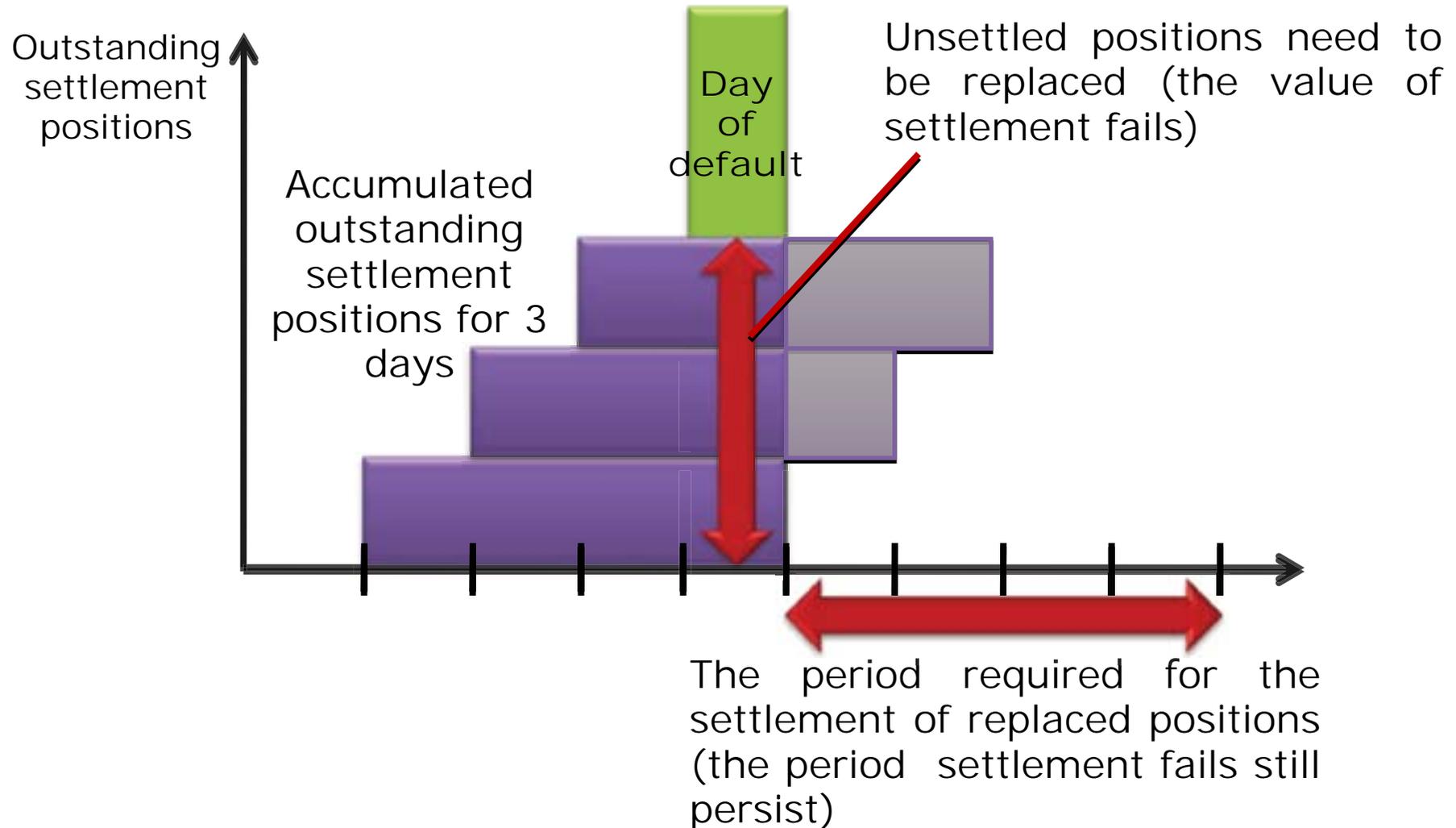
Settlement Risk

2 ways to reduce settlement risk

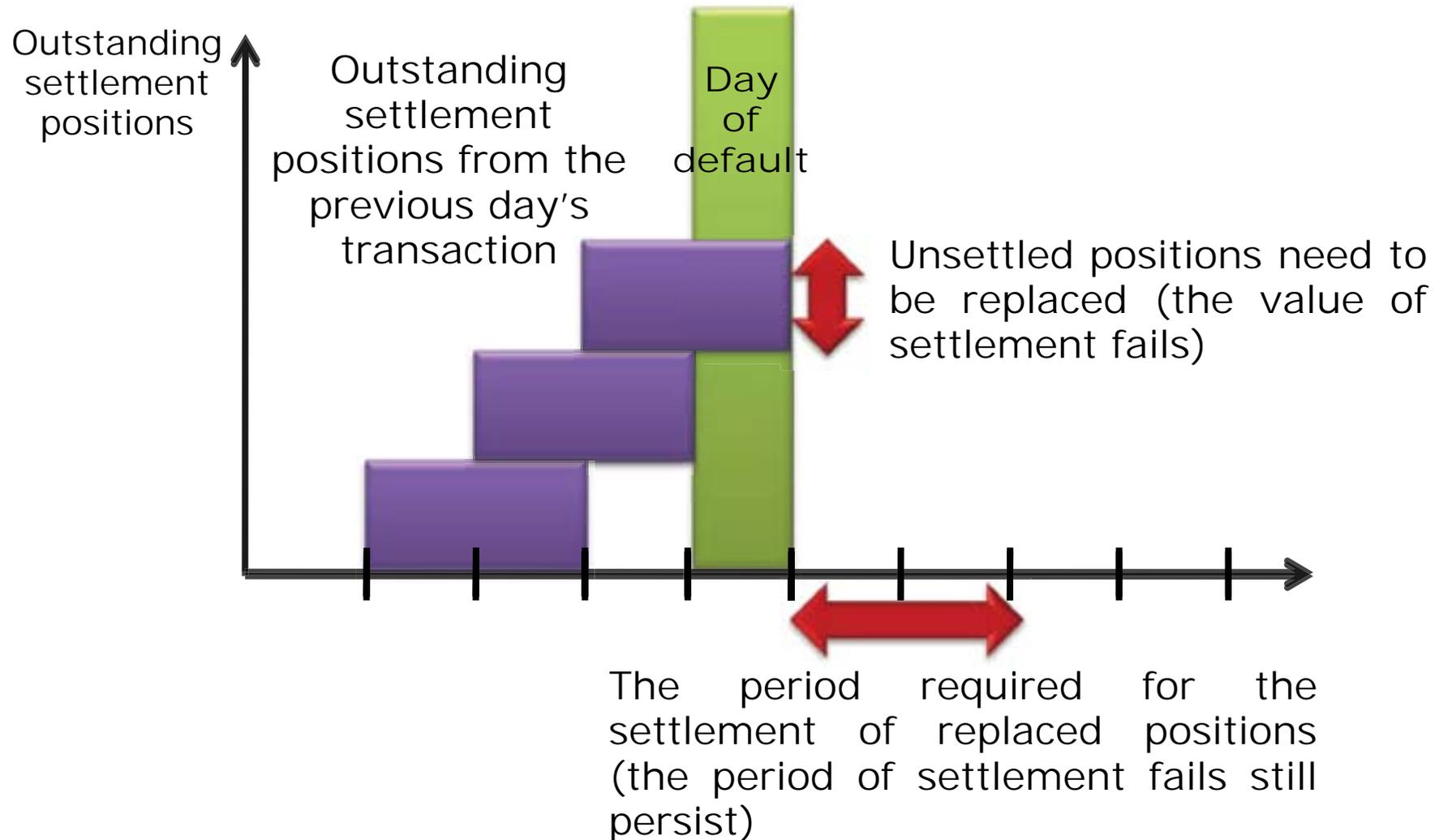


(Chart 5-1)

Settlement Cycle: $T+3$

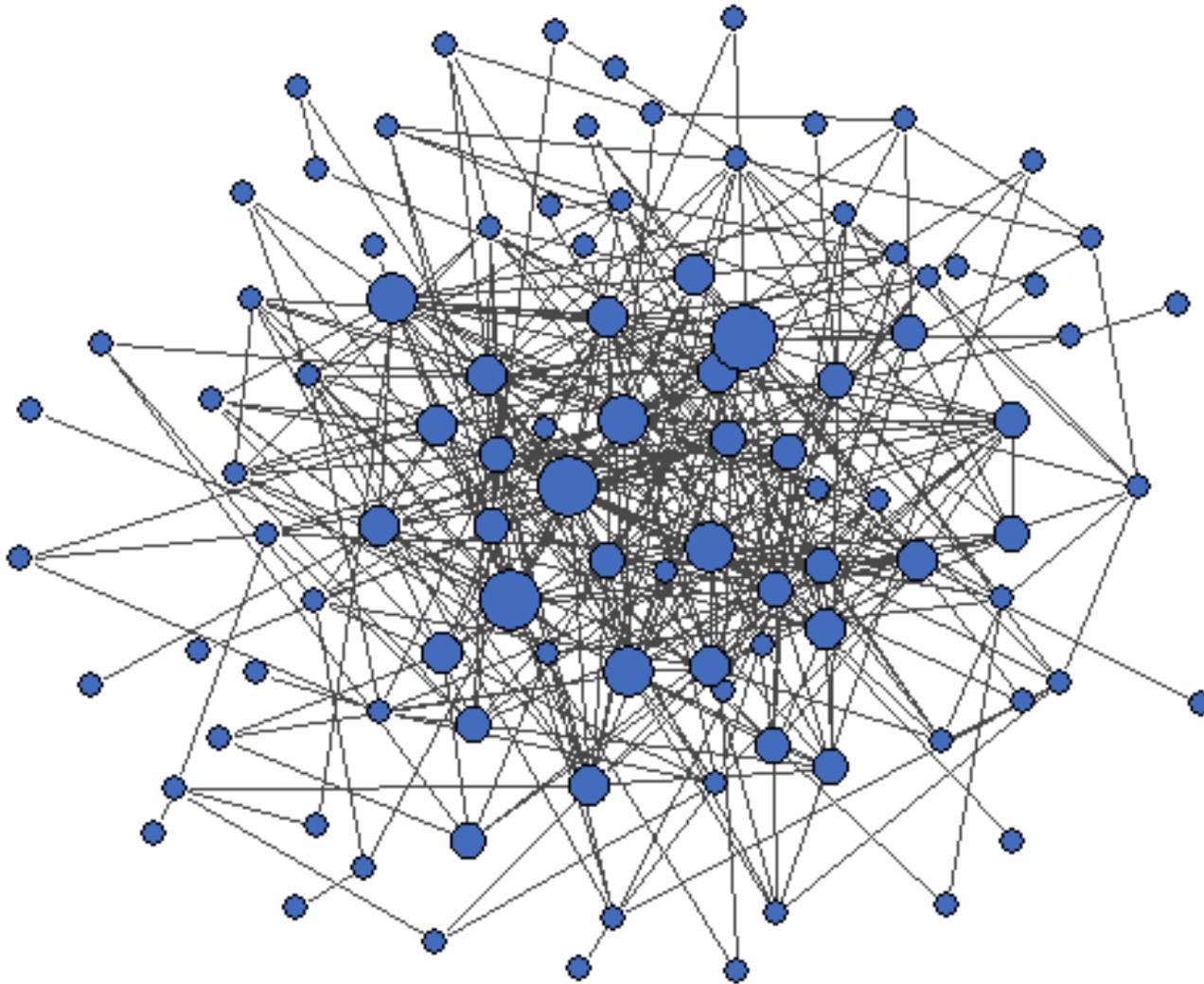


Settlement Cycle: $T+1$



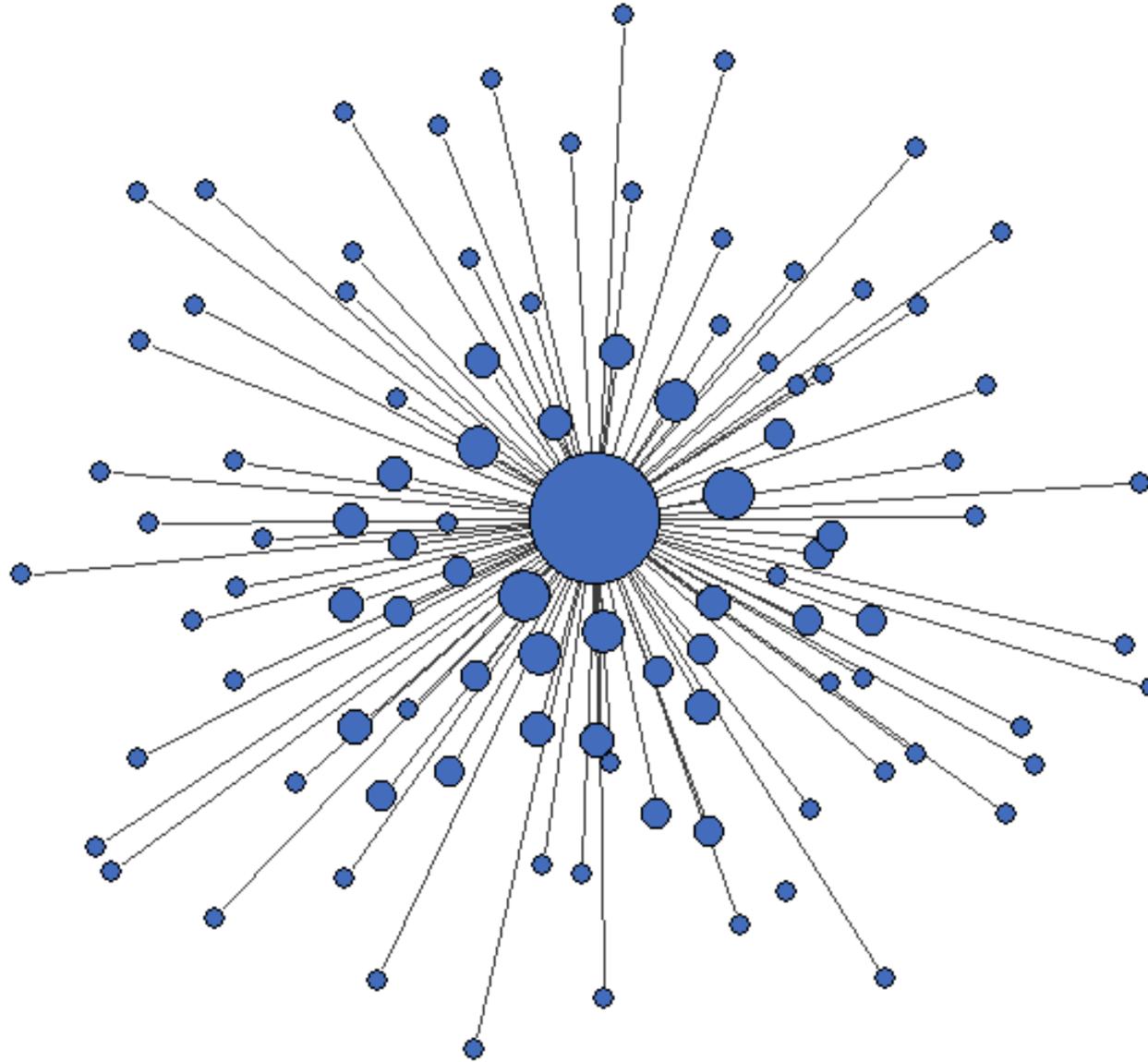
(Chart 6-1)

Bilateral Settlement Network



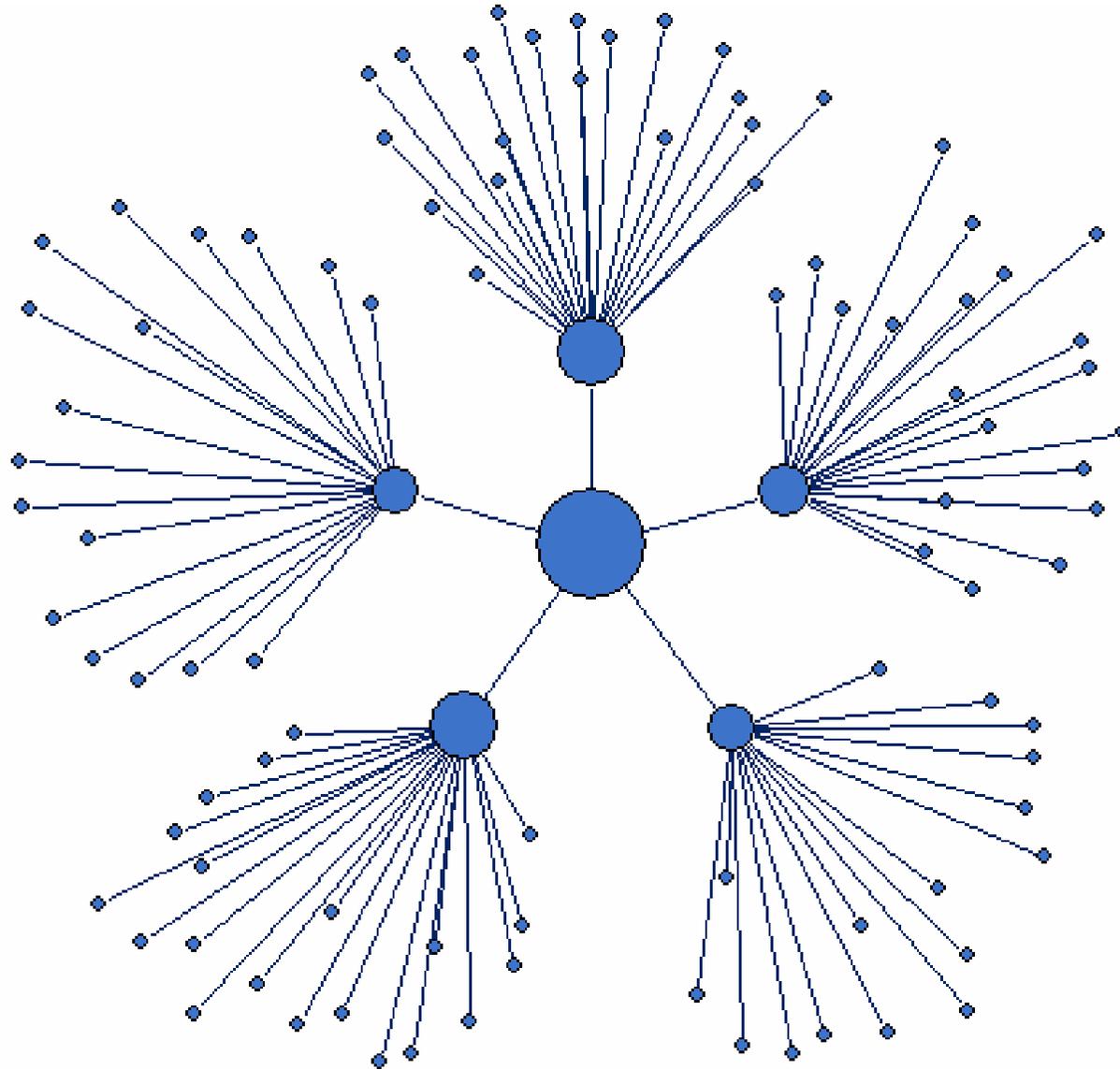
(Chart 6-2)

Centralized Network: CCP



(Chart 6-3)

Hierarchized Network

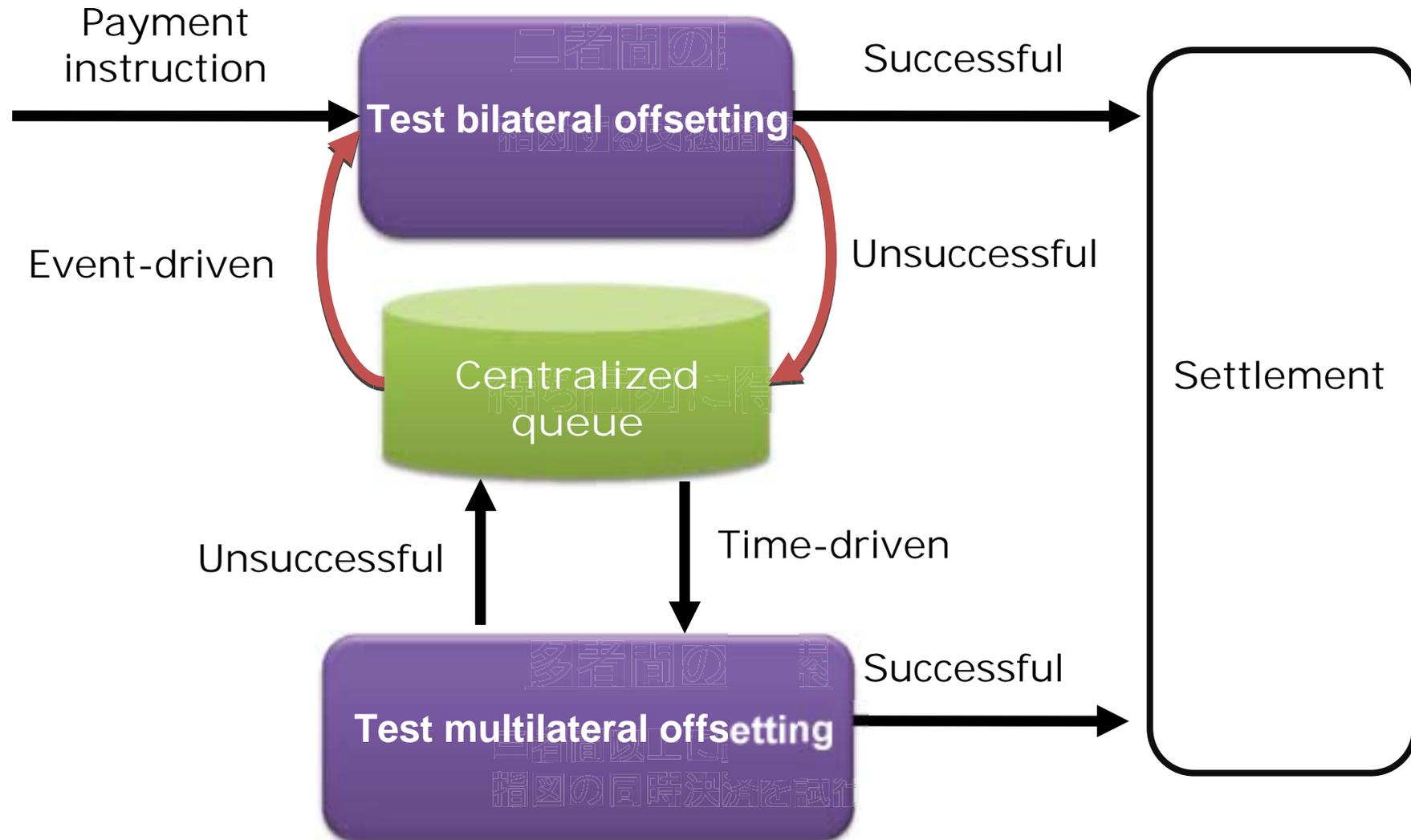


IV. The Bank's Involvement in Payment and Settlement Systems

- Improving the safety and efficiency of BOJ-NET
- Oversight of private-sector payment and settlement systems

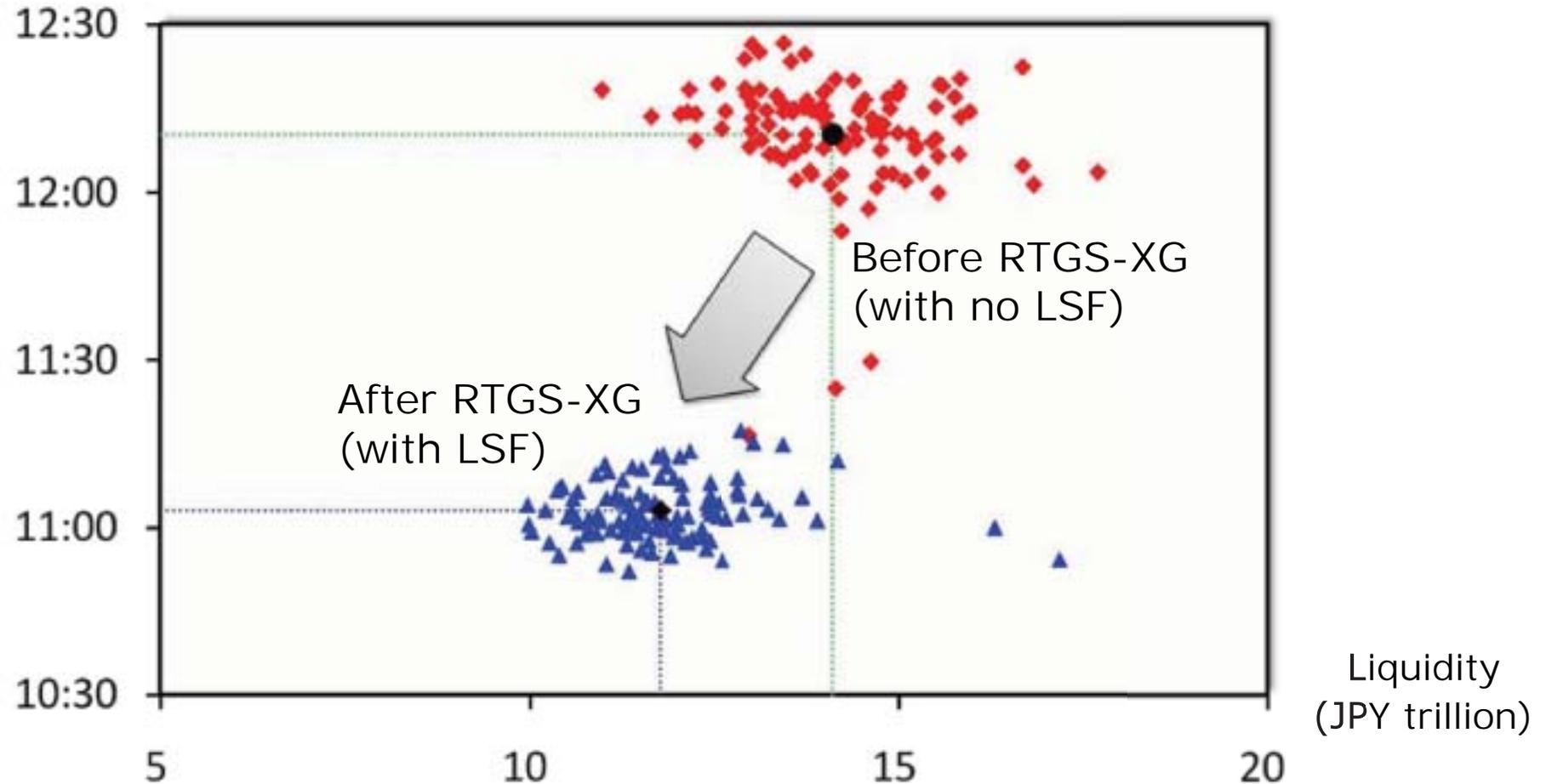
(Chart 7)

Liquidity Saving Features



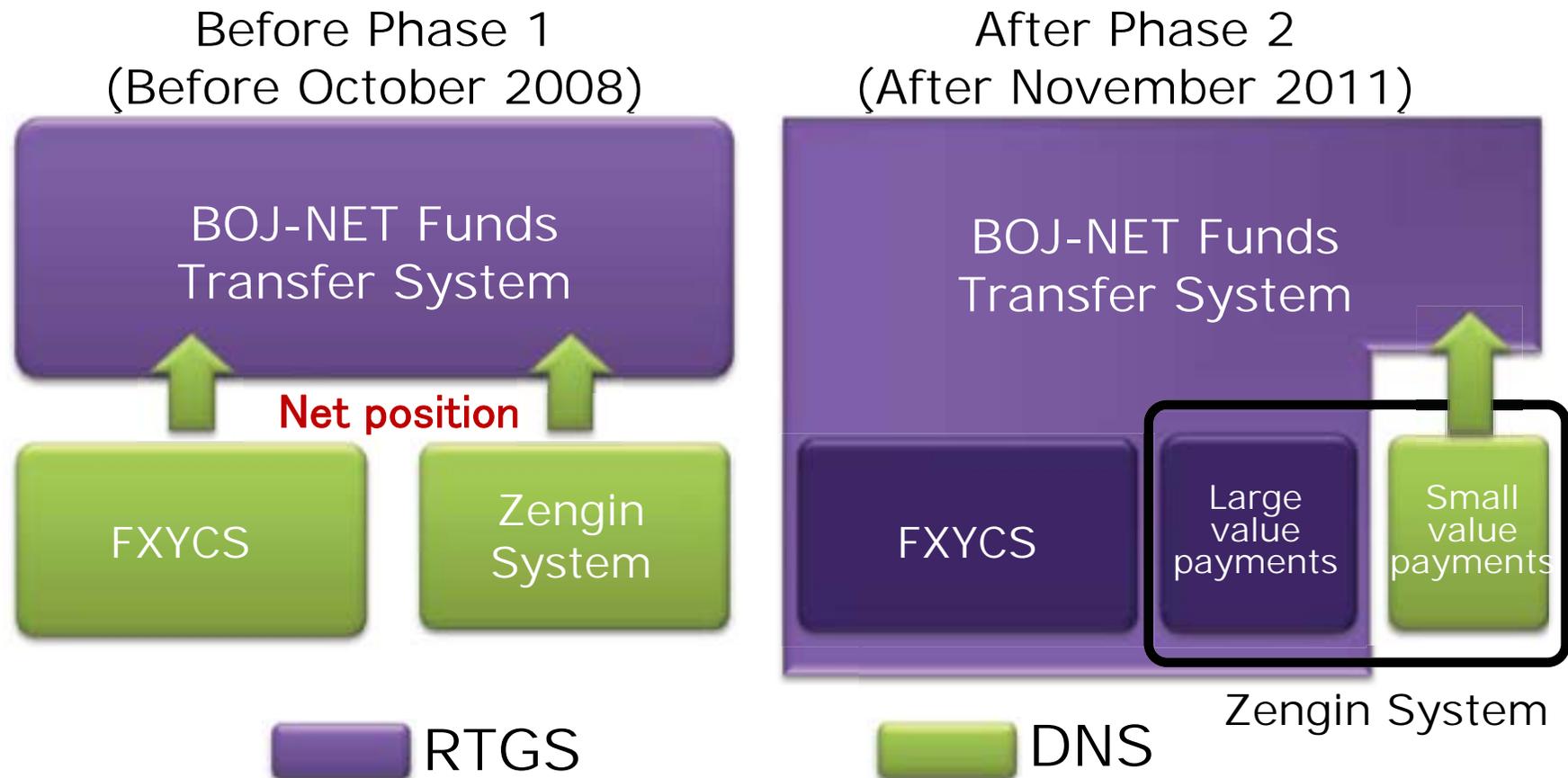
Effects of Introducing Liquidity Saving Features

Average settlement time



* The data points for "After RTGS-XG" are based on daily transaction data after the implementation of RTGS-XG Phase 1 (October 2008-March 2009). The data points for "Before RTGS-XG" are based on daily transaction data for the same period of the previous year (October 2007-March 2008).

Next-Generation RTGS Project



FXYCS : Foreign Exchange Yen Clearing System

Zengin System : Interbank clearing system for domestic funds transfers

V. Closing Remarks