Mr. Matsushita comments on recent monetary and economic conditions in Japan and the reform of the financial markets Speech given by the Governor of the Bank of Japan, Mr. Yasuo Matsushita, at the Kisaragi-kai Meeting in Tokyo on 14/4/97.

I. Introduction

I am greatly honored to have been invited today to address this distinguished audience. I would like to take this opportunity to first discuss recent monetary and economic conditions in Japan and issues regarding the financial system. I would then like to discuss the Bank of Japan's views on financial market reform in Japan, the subject of heated discussion since Prime Minister Hashimoto proposed the "Big Bang" deregulation package for Japan on November 11, 1996.

The financial markets constitute the infrastructure supporting a nation's economy, and thus their efficient and stable functioning is essential to the promotion of unhindered economic growth in the long term. Accordingly, market reform has become an urgent issue in Japan, as the financial markets seem to be losing international competitiveness. However, various arguments are being heard on the pace and the potential side effects of the reform. Bearing these arguments in mind, I wish to return to the basics of market reform and discuss why a reform is currently needed in Japan and the approach to be taken in promoting the reform.

II. Recent Monetary and Economic Conditions in Japan

A. The Strength of Economic Recovery

I would like to start by examining the strength of the self-sustained economic recovery over the past several years.

According to the Economic Planning Agency, the current economic recovery began in October 1993, and has continued for about three and a half years. The recovery, however, has not been constant, and therefore, many people may not have been able to appreciate the true strength of the recovery.

In fact, the growth rate of the economy remained low at around 1 percent even after 1993, and there were concerns about the occurrence of a deflationary spiral at one time in 1995. This extremely slow pace of economic recovery was due to the fact that the Japanese economy had to overcome various structural adjustment pressures - that is, pressures to reduce the burdens created by the bursting of the economic "bubble" and pressures to adapt to a new global economic environment.

Since 1996, however, the recovery in real economic activity has finally become evident.

Looking at GDP growth in 1996, the contribution of fiscal expenditures, which had been large at the beginning of the year, gradually decreased. At the same time, the pace of decline in net exports (exports in excess of imports) slowed, and domestic private demand, such as business fixed investment and personal consumption, showed steady growth. Owing mostly to the increase in domestic private demand, GDP in the fourth quarter of 1996 grew by 2.9 percent over the same period of the previous year, despite the negative contribution by public works.

The key to the realization of a self-sustained economic recovery is the sustainability of recovery in domestic private demand. In this respect, there have been concerns that the recovery in business fixed investment might be due in large part to the temporary increase in investment in the telecommunications industry. Equally, there have been concerns that growth in housing investment and personal consumption might have been caused mainly by the boost in demand ahead of the rise in the consumption tax rate in fiscal 1997.

These issues must be examined from various points of view when judging the economic outlook for the current fiscal year. I would, however, like to emphasize here that a virtuous circle of demand, production, and income has gradually come into operation from the latter half of 1996.

During the first half of 1996, increase in demand did not bring about significant improvement in production, as the increase was offset by growth in imports and inventory adjustment. In the latter half of the year, however, the decline in external demand halted due to the depreciation of the yen, and, in addition, inventory adjustment progressed. As a result, the increase in final demand was reflected fully in production growth. In fact, the year-to-year growth rate of production improved from less than 1 percent in the first half of 1996 to 4.4 percent in the latter half of 1996, a level consistent with the growth in demand. The increase in production appears to have led to a recovery in business fixed investment and employment in the latter half of 1996, through increased corporate profits. This virtuous circle of demand, production, and income brightens the prospects for a sustained recovery in domestic private demand.

The strength of recovery, however, is different in each economic sector. According to the results of the March 1997 "Tankan - Short-Term Economic Survey of Enterprises in Japan," while increased corporate profits have been stimulating increases in business fixed investment, they have not to the same extent led to increased consumption through improved employment and wage conditions. In addition, while business fixed investment by large firms continues to increase, recovery in the levels of investment by smaller firms has not yet gained strength.

While several factors remain uncertain, the Bank of Japan judges that the economic recovery has gradually been firming since autumn 1996, on the basis of the developments in the economic growth rate and its determining factors, and the strengthening of the virtuous circle.

B. Future Economic and Price Developments, and Monetary Policy Management

The Bank will pay close attention to whether the self-sustained recovery of private demand from fiscal 1996 will further strengthen, leading to a firm recovery of the economy despite the downward pressures of fiscal tightening.

The developments in the financial markets indicate considerable concern on the part of market participants as to the firmness of economic recovery. Long-term interest rates continued to decline from autumn 1996 and have recently been at a historic low of 2.1 to 2.2 percent. Stock prices fell sharply at the beginning of the year with no significant improvement thereafter. The results of the March 1997 Tankan also indicated that while firms were confident about their business outlook in terms of expected sales and profits, they had little expectation of an improvement in business conditions in the second quarter.

The low level of confidence in the economic outlook may be attributed to a variety of causes. The renewed concern over the nonperforming-loan problem of financial institutions and its effects on the economy may be one factor. With regard to economic developments in the short-term, however, the most significant factors are likely to be the concerns over the downward pressures of fiscal tightening.

The Bank has not yet detected any clear signs of such downward pressures, and intends to continue examining the possible effects of fiscal tightening. There appear to be, however, several good reasons not to be too pessimistic.

Regarding fiscal tightening, public works are not to be cut drastically in the new fiscal year, but rather, have already been reduced gradually from the latter half of 1996. Despite the decline in public works, domestic private demand has continued to expand, supported in part by the improvement in external demand.

With regard to the rise in the consumption tax rate, it may have two different types of impact: (1) in the short term, the rise may induce an increase in demand ahead of its implementation and a subsequent reaction after the rate change; and (2) in the longer term, it may fundamentally affect consumer behavior.

As to the short-term influence, this may have made a certain contribution to the recent improvement in economic indicators such as increased automobile sales and department store sales. From April, therefore, it is likely that there will be some reaction against the increase. From the viewpoint of achieving a self-sustained economic recovery, however, what matters is how the increase in the consumption tax rate will fundamentally change consumer behavior through a decline in the purchasing power of households. The degree of the change will depend largely on consumer confidence and wage conditions. In this respect, the recent improvement in employment and wage conditions, though modest, is encouraging.

Nevertheless, a temporary slowdown in economic recovery is likely as the various effects of fiscal tightening will be seen most strongly between now and summer. The Bank, however, is also of the view that the current trend of recovery is likely to be maintained owing to the recent strengthening of the virtuous circle in the economy. In this respect, the Bank will continue to monitor closely economic developments, especially consumer behavior.

Turning to recent price developments, it has become increasingly clear that prices have stopped declining since the end of 1996, following an improvement in the domestic supply and demand conditions and a rise in import prices. While the decline in crude oil prices makes it unlikely that import prices will rise further, putting additional upward pressures on domestic prices, the Bank will continue to monitor price developments closely, including the effects of the depreciation of the yen.

If I should mention one point about the recent foreign exchange developments, it is that the Bank’s thinking is based on the Group of Seven agreement that exchange rates should reflect economic fundamentals and that excess volatility is undesirable. While refraining from commenting on specific exchange rate levels, the Bank will continue to carefully watch foreign exchange rate developments, which have recently shown rather rapid movements.

Returning to the subject of prices, the raising of the consumption tax rate in April will be reflected in product prices, pushing up the price index accordingly. It would not be appropriate to formulate monetary policy against such a one-time, superficial price adjustment. The issue of concern is whether the rise in the tax rate will trigger price hikes taking advantage of the rise or will lead to inflationary expectations, which in turn might bring about price rises beyond the immediate effects of the tax rate increase. The Bank will also continue to monitor price developments carefully from this viewpoint, with particular attention given to the underlying domestic supply and demand conditions and consumer confidence.

In the management of current monetary policy, the Bank of Japan will continue to monitor economic developments closely, placing emphasis on further strengthening the foundation for economic recovery.

III. Issues Regarding the Financial System

I would now like to move on to the issues regarding the financial system. From the end of fiscal 1996 to the beginning of fiscal 1997, a number of banks announced their intention to front-load their schedule of writing off nonperforming loans and to revise their business results for fiscal 1996 downward accordingly. On April 1, Nippon Credit Bank announced a comprehensive restructuring package, and Hokkaido Takushoku Bank and Hokkaido Bank announced their plan to merge in pursuit of more efficient management. These developments indicate the determination of Japanese financial institutions to adapt to the far-reaching reform of Japan’s financial system, which I will discuss later, while continuing to strive to promptly resolve their nonperforming loans.

I would therefore like to discuss the implications that the decisions of Nippon Credit Bank and Hokkaido Takushoku Bank may have for Japan’s financial system as a whole and for the nonperforming-loan problem with which the system is burdened.

Let me first explain the circumstances which led these banks to take such drastic actions. In recent years, significant progress has been made in the disposal of nonperforming loans by major financial institutions including city banks, long-term credit banks, and trust banks. As a result of active provisioning and write-offs, in fact, most banks already have a clear prospect of completing the disposal within a year or two.

Nippon Credit Bank and Hokkaido Takushoku Bank, however, have tended to fall behind others due to the large amount of nonperforming loans they hold relative to their financial strength. Needless to say, it has been believed that both banks could dispose of the nonperforming loans over an extended period of time. However, with the financial markets about to undergo a drastic change, financial institutions that will require time to solve their nonperforming loan problem will unavoidably be placed under serious constraints as they try to survive the reform. With this in mind, domestic and overseas market participants have begun to scrutinize the financial conditions of Japanese financial institutions with increasing severity since the beginning of the year. In this context, the two banks were urged to set forth restructuring plans which are comprehensive enough to remove the sources of uncertainty in the market.

Nippon Credit Bank announced a plan which includes thorough restructuring, comprehensive disposal of nonperforming loans, and reinforcement of the capital base. Private financial institutions which have direct capital or business interest in Nippon Credit Bank have been asked to participate in the capital subscription to the bank. The capital which cannot be obtained from private financial institutions will be supplemented by the New Financial Stabilization Fund through the underwriting of preferred shares. This will be carried out using the outstanding amount which has been contributed to the Fund by the Bank of Japan. In this respect, the restructuring plan of Nippon Credit Bank involves public support. We at the Bank believe that Nippon Credit Bank is by no means insolvent, and that it is fully capable of reconstructing its financial position. We have at the same time determined that the entire financial system might be adversely influenced should the implementation of the comprehensive measures to solve the financial problems of Nippon Credit Bank be delayed, and should market confidence in the bank not be maintained or restored. Based on this judgment and in light of the objective of the Fund - which is to “enhance the stability of and global confidence in our country’s financial system” - the Bank deemed it appropriate to utilize the New Financial Stabilization Fund to reinforce the capital base of Nippon Credit Bank.

Meanwhile, Hokkaido Takushoku Bank announced a plan to merge with Hokkaido Bank, also based in the Hokkaido region, with a view to becoming a so-called super-regional bank with a stable customer base in the Hokkaido region and with operations in a geographically larger area in the rest of Japan. As part of the planned merger, they announced a management strategy to strengthen the financial base, improve customer services, and thus contribute to invigorating the regional economy.

Although the cases of Nippon Credit Bank and Hokkaido Takushoku Bank are different, one involving public support and the other a commercial solution, the approaches taken by the two banks in coping with their problems have points in common.

First, both banks are to implement far-reaching restructuring measures in terms of their operation, personnel, and branches, which are unprecedented for major Japanese banks. The plans adopted by the two banks would be comparable to the drastic restructuring measures adopted by U.S. commercial banks in the latter half of the 1980s and in the early 1990s to solve their management problems.

Second, both banks plan to withdraw from overseas operations. Nippon Credit Bank subsequently announced an agreement on business collaboration with Bankers Trust of the United States.

We at the Bank are strongly encouraged by these initiatives because they indicate a significant shift from the conventional strategy pursued to date by major Japanese banks, and will contribute significantly to the smooth implementation of the two banks' restructuring packages.

The common aspects of the two cases illustrate the determination of Japanese financial institutions to renovate themselves in order to adapt positively to the changing financial environment. As I shall discuss later, the Japanese financial system is undergoing a drastic change in preparation for the 21st century. These two cases reflect the fact that managements are seriously reconsidering their strategies, freeing themselves from their traditional way of thinking, through identifying areas of comparative advantage and improving customer services.

The measures taken by the two banks represent significant steps toward the resolution of nonperforming loans. The disposal of nonperforming loans by Nippon Credit Bank will reach a level comparable to other major banks. In addition, Hokkaido Takushoku Bank and Hokkaido Bank will be able to complete the disposal of their nonperforming loans much faster than they would have separately, for the merger will greatly enhance efficiency through such measures as reorganization and consolidation of branch network and elimination of redundant investment.

The decisions of the two banks are thus expected to contribute significantly to removing uncertainties from, and ensuring domestic and international confidence in the Japanese financial system. At the same time, the Bank believes that the proposed measures are of great significance in the sense that they represent voluntary action taken by financial institutions in preparation for the fundamental reform of the Japanese financial system.

IV. Financial Market Reform

A. The Necessity for Market Reform

I would now like to move on to the other theme of my speech, financial market reform in Japan. Specific measures of the Big Bang deregulation package for Japan are currently under deliberation in the relevant councils. I would therefore like to discuss the fundamental points of this issue, such as why a reform of the financial markets and the financial system is currently needed, and the approach to be taken in promoting the reform.

Today, financial innovations are in progress around the world, and new financial instruments and transactions are being developed one after another. At the same time, however, the Japanese financial markets seem to be losing international competitiveness. This is the main reason the markets need to be reformed. Failure to heighten competitiveness would result in the hollowing out of the Japanese financial markets, eventually threatening the sound development of the Japanese economy.

Since the 1980s, Japan has gradually deregulated the financial sector. Interest rates on deposits have been liberalized, and banks and securities companies have been permitted to enter into each other's fields of business through subsidiaries. During this period, however, the Tokyo market has fallen far behind the New York and London markets in its ability to develop diverse financial instruments and services. This is partly because Japanese financial institutions had to divert much of their energy to the disposal of nonperforming loans, a burden created by the bursting of the economic "bubble." It is also attributable to the conventional frameworks of the Japanese financial markets and the financial system, which have been left unchanged despite the rapidly changing financial environment, making it difficult to develop and introduce new financial instruments and services.

Globally, the most conspicuous change in the financial markets in recent years has been the rapid progress in financial innovations, reflecting the development of computer and communications technology. New financial instruments such as derivatives and securitization have made it possible to unbundle risks - namely, credit risk, interest rate risk, and foreign exchange risk - of conventional financial instruments such as loans and bonds, and trade these risks individually or as various combinations of risks. The risks traded through the new financial instruments are no different from those originally incorporated in the conventional financial products. However, the range of services that financial institutions can provide has expanded significantly as it has become possible to trade only the risks without paying for or delivering the underlying asset.

Conventional financial services, for example, focused on the flow of funds, that is, investment and financing, of firms and households. In comparison, recent financial services place greater emphasis on analyzing the overall risks of the assets and liabilities of firms to hedge those risks or to take new risks. The services can thus be elaborately tailored to the specific financial conditions of individual customers. In other words, it has become possible for firms and households to manage their portfolios efficiently and more flexibly by utilizing custom-made services based on advice from financial institutions. The words derivatives and securitization may sound irrelevant to households, but they have in fact increased opportunities for households to efficiently manage their assets and liabilities, by expanding the range of assets in which pension trusts and investment trusts can be invested indirectly through institutional investors, and by increasing the range of instruments which can be accessed directly by households.

Along with the progress in financial innovations, advances in computer and communications technology are further promoting financial globalization. Today, firms and institutional investors around the world are not only transferring funds frequently across borders, but are also accessing financial markets worldwide on a daily basis in pursuit of the best means to control risk. In terms of technical capability at least, by utilizing computer networks, even firms that are small in scale can solicit funds directly from overseas investors and individuals can deal directly with overseas financial institutions.

Availability of diverse financial services to meet the potential needs of firms and households provides the basis for revitalizing the financial sector as a growth industry. Countries around the world have recognized the financial sector as a high growth industry, and for this reason they have been vying with each other in the reform of their domestic financial markets. The Big Bang implemented in the United Kingdom in the mid-1980s was in fact aimed at strengthening the financial sector as the leading industry of the country's economy by attracting back to London financial transactions that had shifted to the United States.

The development and introduction of diverse financial services is becoming increasingly important in Japan as well, given the changes in the flow of capital in Japan and abroad. With the accumulation of personal assets and the need to prepare for the aging of society, there is a growing demand in the household sector for diversification of assets and risks, while the corporate sector is waiting for the emergence of venture businesses to lead growth industries and the establishment of new channels to facilitate the supply of capital to such businesses.

There is concern, however, as to whether the Japanese financial markets have the capacity to create financial services and instruments which can satisfy the various needs of the corporate and household sectors.

The conventional framework of the Japanese financial system has divided the industry by type of business, entrusted each type of business to specialized financial institutions, and prohibited institutions from entering into other types of business. The majority opinion is that this institutional segmentation of financial businesses was effective in supplying capital to priority industries during the postwar reconstruction period and the era of high economic growth. With the rapidly expanding scope of financial services and the diversifying needs of users, however, the appropriateness of such segmentation has come into question. It must indeed be thoroughly examined whether it is impeding the provision of efficient financial services and the introduction of new financial technology, and whether it is restricting market competition.

It is also important to review the institutional frameworks of the legal, tax, and accounting systems to make them suitable for the financial services of the new era.

If the institutional frameworks are not improved, even transactions between residents may shift to overseas markets due to the exercise of choice by market participants. This may be called “transactions flight” rather than “capital flight.” As the financial markets constitute the infrastructure supporting the economic activity of a country, hollowing out of the markets must be prevented.

B. The Basic Approach to Market Reform

As I have explained, market reform should not be conducted as a mere deregulation process. Rather, it should be promoted from the viewpoint of creating an internationally competitive market and making the market attractive to domestic and overseas participants. In doing so, it must be remembered that countries around the world are also striving to attract domestic and cross-border financial transactions to their own markets by enhancing their international competitiveness. That is to say, while the systems of various countries differ significantly, each country is reviewing its existing system on a continuous basis in pursuit of improved efficiency. Therefore, if we simply consider the present New York and London markets as our goal, we might find ourselves trailing behind those markets by the time reform in Japan is realized. In other words, it is most important to try to be one or two steps ahead of the times as we rebuild Japan’s financial markets.

The frame of reference in these efforts is to fully utilize the creativity of the private sector, or in other words, to maximize the functioning of the market mechanism. In fact, the driving force for the development of the New York and London markets has been the innovative strength of the market mechanism. It is therefore important that existing regulations be reviewed and abolished as much as possible while placing stronger emphasis on market participants’ self-responsibility and on honoring market discipline. It is essential that a framework be built in which diverse financial services are made available to the public, enabling them to choose the most efficient products or products that sufficiently meet their various needs. Such a framework will not only promote greater efficiency of the entire financial system by drawing out innovative ideas through competition, but should also contribute to the stability of the financial system by putting to work the check mechanism inherent in markets.

When we look back at the Japanese financial markets from this perspective, we see that every attempt to introduce a new financial product, such as commercial paper or securitized instruments, required a lengthy process before the product could actually be launched. This was because there was always heated debate about whether the new product could be construed as a negotiable security under the Securities Exchange Act of 1948, in order to determine which type of financial institution, that is, securities companies or banks, would handle the product.

Another feature of the Japanese financial markets has been the restrictions or conditions imposed to limit the risk carried by securities traded on the capital market, that is, those imposed on the investment instruments of institutional investors and on the corporate issuers of negotiable securities. Examples are the restrictions on equity investment by investment trusts and pension funds and the qualification criteria for corporate bond issues, which were abolished at the end of 1995. This feature, however, seems to have constrained the basic function of the capital market which is to realize efficient transfers of business risks based on the price mechanism and has consequently restricted access to the capital market.

Such features of the Japanese financial markets had the aim of protecting investors, which was realized by making specific institutions responsible for specific financial instruments, and then regulating and supervising the institutions responsible for handling the financial products. Should this remain unchanged, however, new financial instruments may not be introduced expeditiously and the functions of the capital market may not be fully utilized, further weakening the international competitiveness of the Japanese markets. In addition, if regulations continue to severely restrict the activities of the institutions offering financial products, this may leave little room for the financial institutions to exercise creativity and, in the end, even discourage them from doing so. In practice, the regulations were applied with a certain degree of flexibility to avoid impairment of market functions. In order to strengthen the competitiveness of the Japanese markets, however, it is essential to resolutely relax or remove existing regulations to allow the private sector to fully exercise its creativity.

It then becomes important that market participants be held responsible for their own actions and market discipline be respected, and also that comprehensive rules be made that are applied to the entire market to ensure the adequate functioning of the market mechanism. Such market rules can be summarized conceptually in the following two categories.

The first type is rules that financial businesses in general - for example, banks, securities companies, insurance companies, and investment trusts - must observe in their transactions with customers. These include rules that provide for adequate explanation of the risks involved in a certain product in accordance with the customer’s level of knowledge and experience, or for a strict separation of the customers’ assets from the institution’s assets. The second type is rules pertaining to disclosure and those that prohibit unfair trades. The basis of investor protection is to disclose information that enables investors to make rational decisions about investment. With such disclosure, all responsibility for the investment decisions will lie with the investors. It is thus necessary to enhance public disclosure, while considering for which instruments investor protection should be provided.

Besides these two types of rules, prudential regulations will need to be imposed on banks which participate in the settlement system. This is because failure of one bank might trigger the materialization of systemic risk, disrupting the entire financial system. However, if the prudential regulations are applied too rigorously, banks may be put at a major disadvantage vis-à-vis other financial institutions. Therefore, banking regulations are now being reviewed so that they encourage further efforts by banks themselves.

These rules and regulations should not control the details of the actions of financial institutions. Instead, their aim is to guarantee free and self-reliant behavior of financial institutions within the minimum necessary framework. Relaxation or removal of all unnecessary regulations within that framework should promote competition among financial institutions, improving the quality of financial services available to users in Japan and abroad.

C. The Future of the Japanese Financial Markets

Before concluding, I would also like to discuss the Bank’s views regarding the future of Japan’s markets, about which questions are often raised.

First of all, in light of the experience of the Big Bang in the United Kingdom, some anticipate that when the market reform is accomplished, Japanese financial institutions might end up being acquired by foreign interests. It is extremely difficult to forecast whether this will happen in Japan and to what extent it will occur. However, whoever will be the providers of financial services, what is most important is to establish financial markets which efficiently supply diverse financial services to the people and which thereby provide the foundation for the sound development of the national economy. Even if attempts are made to protect domestic financial institutions by means of market regulation, the cost of that protection will have to be borne by the people, if the financial institutions lack international competitiveness. This would reduce the international competitiveness of Japanese firms and, in the end, might only shackle the economic development of Japan.

Following the Big Bang in the United Kingdom, the London market grew once again and consolidated its status as a global market. It is true that in the process, capital of various origins found its way into British financial institutions. This, however, occurred because the London market had the capacity to create new financial techniques, and obviously the subsequent revitalization of the market has contributed to the development of the British economy.

In the end, financial institutions seem to have no choice but to reinforce their financial strength and enhance their competitiveness to survive tough competition. I strongly expect that financial institutions in Japan will further strengthen their competitiveness through efforts to reform themselves, and I am convinced that they remain full of determination in this respect.

Another concern in Japan has been that if deregulation proceeds further, many of the small and medium-sized financial institutions will find their business base taken over by the larger institutions. Looking at the situation in Europe and the United States, however, I feel that there is a tendency for financial institutions to become specialized in the present financial environment. While it is true that some financial institutions might seek to provide comprehensive financial services, they will not be able to survive the severe competition by merely expanding the scale and scope of their operations. Those institutions will also have to develop areas or niches in which they can be competitive to secure the base for their existence. It is thus strongly expected that each financial institution will advance its know-how and expertise in its particular areas of strength so as to provide quality financial services. While market reform in Japan will thus intensify competition among financial institutions, I am of the view that it will not directly cause the small and medium-sized financial institutions to lose their business bases.

V. Conclusion

The reform of the financial markets involves numerous issues besides relaxation and removal of existing regulations and improvement of the institutional framework of the legal, tax, and accounting systems. Review of public financing and adequate regulation and supervision, for example, are important considerations. The revision of the Bank of Japan Law should also be perceived as part of the process of reform of the Japanese financial markets and the financial system.

With regard to the revision of the Bank of Japan Law, a bill to amend the entire Law was submitted to the Diet in March following intense deliberations by the Central Bank Study Group, an advisory panel to the Prime Minister, and by the Financial System Research Council, an advisory committee to the Minister of Finance. The bill aims at establishing a new central bank system founded on the two basic principles of independence and transparency. Underlying the amendment proposal is the perception that in order to improve the efficacy and flexibility of monetary policy amid the changes occurring in the global environment surrounding the Japanese financial markets, which I have discussed today, the legislation based on which the Bank of Japan operates must be appropriate for a central bank in the new age.

I strongly hope that the bill will have a smooth passage following Diet deliberations. At the same time, we at the Bank of Japan are determined to strengthen our efforts to reform the Bank to ensure appropriate policy and operational management.

In closing, I would like to ask for your continued understanding and cooperation.