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Revision of Japan's Flow of Funds Accounts

Introduction

Bank of Japan compiled the first flow of funds accounts in 1958, covering data for the years from 1954 to 1957. Since then, the flow of funds accounts have been used extensively, for example, as a source for producing the capital finance account of the national accounts, and as the only statistical material that provides an overall picture of Japan's financial structure. However, the present flow of funds accounts require improvement in many respects. For example, although the framework of the flow of funds accounts basically conforms to that of the System of National Accounts established in 1968 by the United Nations (hereafter, 1968 SNA), various inconsistencies remain between the two due to inadequate availability of data. This results in various limitations when one tries to obtain a combined picture of real economic activity and financial activity using the flow of funds accounts and the national accounts. It should also be noted that the 1968 SNA itself does not fully reflect the changes in economic and financial structures that have occurred in the years since it was established. In 1993, therefore, the Statistical Commission under the Economic and Social Council of the United Nations (hereafter, ECOSOC Statistical Commission) adopted a draft amendment to the SNA (1993 SNA) with a view to creating a framework that better reflects the recent economic and financial environment. Further, in response to increasing demand for internationally standardized financial statistics, the International Monetary Fund (IMF), at the behest of the ECOSOC Statistical Commission, is preparing a Manual on Monetary and Financial Statistics (hereafter, the IMF Manual) to supplement the 1993 SNA. A number of countries have initiated reviews of their flow of funds accounts in accordance with these developments.

Statistics that provide a highly reliable overview of financial activities are indispensable for tracing changes in the financial structure, for examining the roles of each economic sector, and for considering the implications of these factors for the real economy. Such statistics are also useful in considering various issues concerning financial systems. If these statistics are compiled in accordance with international standards, international comparability of these statistics will be improved.

It is for these reasons that the Bank is revising Japan's flow of funds accounts. In doing so, the Bank has decided to make public its basic thinking underlying the revision, together with the outline of the revision, to thereby seek the users' opinions, which the Bank believes is invaluable for the improvement of the statistics. This paper describes the revision in some detail, including changes in sectoral classification and expansion of transaction categories, and explains the new types of information obtainable from the revised flow of funds accounts.

Improvement of statistics often involves a trade-off between users' convenience and reporting burden. Improvement of the flow of funds accounts is no exception. Although the intention is to make full use of existing statistics in producing the accounts, the reporting burden may be increased in some areas. This paper will also be useful in evaluating the costs and benefits involved in the revision of the flow of funds accounts.

The Framework for Restructuring the BOJ-NET Funds Transfer System

Introduction

In December 1996, the Bank of Japan published a consultation paper that outlined its plans to restructure the funds transfer system of the Bank of Japan Financial Network System (BOJ-NET). The Bank plans to abolish designated-time settlement and make real-time gross settlement (RTGS) the only settlement mode by the end of the year 2000. The paper also drafted the main features of RTGS after the restructuring, and the Bank requested comments and suggestions from current account holders with the Bank of Japan (BOJ account holders), the operators of private clearing systems, and other interested parties. Overall, the Bank's proposal was strongly supported, and the Bank received a number of constructive comments and suggestions on its proposal.

On the basis of its December proposal and the comments and suggestions received, the Bank released on April 1, 1997 a framework for abolishing designated-time settlement and making RTGS the only settlement mode in the BOJ-NET funds transfer system.