

## **Strengthening Payment Systems in Asia**

*Session II: The Sophisticated Payment Systems, Technologies and Associated Regulatory Issues*

### **Japan's Efforts to Enhance Payment and Settlement Systems**

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#### **Abstract**

There is a strong call in Japan for increased competitiveness of its financial markets so as to make Tokyo and other major cities an international financial center comparable to that of New York and London. Hence, it is pointed out that the safety, efficiency, and convenience of payment and settlement systems need to be enhanced further. This point is also noted in the "Better Market Initiative (Plan for Strengthening the Competitiveness of Japan's Financial and Capital Markets)" published by the Financial Services Agency (FSA) in December 2007 that creation of secure, efficient, and convenient payment and settlement systems is one of the goals for strengthening Japan's competitiveness.

New types of payment services different from those that banks have traditionally been providing have developed in recent years as a result of innovation in information and communications technology and the permeation of the Internet. Furthermore, today's technological environment makes it increasingly feasible for institutions other than banks to provide funds transfer services, providers of which are limited to banks now. Given these changes in the environment surrounding payment services, Financial System Council (an advisory body to the FSA) established a working group on payment services in spring 2008, and the group has been examining legal issues of new type of payment services and discussing new legal framework to promote further innovation and consumer protection.

In the situation where disruptions in global financial markets continue due to the U.S. subprime mortgage problem, payment systems at home and abroad have increasingly become interdependent and interrelated. Some of the countries are considering introduction of new regulatory framework for payment systems. In Japan, discussions were held at the Council regarding regulatory framework for appropriate regulation of interbank funds transfer, which is the central part of our payment systems.

In this presentation, I will discuss Japan's efforts to strengthen payment systems based on the report published recently by the Council's subcommittee. The FSA is currently working toward enactment of legislation on payment services that will govern payments conducted both at retail and wholesale level. I will offer an outline of this legislation. I will also touch on the Electronically Recorded Monetary Claims Act, for which the legislation has already been enacted and implemented.