

Consideration to ensure the stability of the financial payment and settlement system(Provisional Translation)

1. Yesterday, when Minister Yanagisawa for Financial Services and Syoichi Royama, chairperson of the round table committee on the vision for the future of the financial system and policy, reported on “The Vision for the Future of the Financial System and Policy (The Vision)” to Prime Minister Koizumi, PM Koizumi directed Minister Yanagisawa to examine measures for ensuring the stability of the financial payment and settlement system and to develop a plan to make the necessary revisions upon the introduction of the partial deposit insurance system.
2. The Vision points out that it is important to ensure the reliable and smooth operation of the financial settlement function in addition to the financial intermediation function as the core functions of the financial system. By coincidence the importance of the financial payment and settlement function was widely recognized by the system disruptions at a financial institution this year.
3. Therefore, the Financial Services Agency, based on the direction of PM Koizumi, requests the Financial System Council to intensively deliberate on the development of a safety net for the financial payment and settlement system, focusing, in particular, on the following points:
 - (1) In view of the importance of the reliable and smooth provision of settlement services, whether the current measures to reduce payment and settlement risk are adequate enough to ensure the stability of the settlement system.
 - (2) What measures need to be taken to further reduce payment and settlement risk.
 - (3) Apart from the protection of small depositors within the framework of the deposit insurance system, and under the principle of limiting the system to a “small deposit insurance system”, what will be the appropriate scheme for ensuring the stability of the financial payment and settlement system while preventing moral hazard.

The FSA intends to develop the necessary revision plan expeditiously.