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Cash and Treasury Management Country Report

JAPAN

Executive Summary

Banking

The Japanese central bank is the Bank of Japan (BOJ). Bank supervision is performed by the Federal Services Agency (FSA).

Japan does apply some central bank reporting requirements. These are managed by the Ministry of Finance (MOF) through the BOJ, according to the rules set out in the Foreign Exchange and Foreign Trade Law and relevant regulations.

Resident entities are permitted to hold fully convertible foreign currency bank accounts domestically and outside Japan. Non-resident entities are permitted to hold fully convertible domestic and foreign currency bank accounts within Japan.

Japan has a small number of large city banks (five) and a decreasing number of regional banks (approximately 110), which are divided into first and second tiers generally according to size and assets. There is a significant foreign banking presence in Japan – 64 foreign banks have established branches in Japan.

Payments

Japan's four main interbank payment clearing systems are BOJ-NET, FXYCS, Zengin and the BCCS. In addition, there are six Japanese banks which are Settlement Members of CLS Bank.

The most important cashless payment instruments in Japan are electronic credit transfers in terms of value and, in terms of volume, payment cards. Checks are primarily used for business-to-business transactions, while direct debits are widely used among individuals and businesses to make regular payments. Though the Japanese have been slower to adopt credit and debit cards, the usage, particularly of credit cards, is increasing rapidly.

Liquidity Management

Japanese-based companies have access to a variety of short-term funding alternatives. There is also a range of short-term investment instruments available.

Cash concentration is the more common technique used by Japanese companies to manage company and group liquidity. Of the available techniques, zero-balancing, though not as frequently used as in comparable countries, is the most commonly used.

Notional pooling is available in Japan. However, it is not often used, primarily because the tax implications for it are unclear and can make notional pooling too complicated.

Trade Finance

Japan is a member of the Asia-Pacific Economic Cooperation (APEC), the World Trade Organization (WTO) and a dialogue partner with the Association of Southeast Nations (ASEAN). Japan has signed free trade agreements (FTAs) with Mexico, Singapore, Malaysia, the Philippines, Indonesia, Thailand, Brunei and Chile. It finalized a FTA with ASEAN in August 2007 and is due to sign the agreement in November 2007. Japan is currently negotiating FTAs with India and Vietnam, Australia and Switzerland.

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