

Treasury Management in Japan

[Copyright 2000 - Knowledge Management Applications - All Rights Reserved - Updated 2000-2-11](#)

Japan Overview

Japan is a geographically small but economically powerful Asian country located on the Pacific rim.

The unit of currency is the Japanese yen (JPY). It is not further subdivided and is commonly referred to as the Yen. The Japanese Yen is freely traded on the foreign exchange market and is an important benchmark currency along with the US dollar and Euro.

The Bank of Japan (BOJ) is the central bank and regulates all financial institutions in the country in concert with the Ministry of Finance. Central bank reporting requirements have a modest impact on cash management activity and the regulatory environment is opening.

There are four clearing systems in Japan that relate to cash and treasury management.

1. The Bank of Japan operates a system called Bank of Japan Financial Network System (BOJ-NET) which permits electronic settlement of transactions for participants with accounts at the Bank of Japan. There is no minimum or maximum amount which may be settled with BOJ-NET. Transfers through BOJ-NET may settle immediately (RTGS) or at a designated time that business day (DTNS) depending on participant instructions. In both cases settlement is final and irrevocable. Transactions are initiated using BOJ-NET terminals.
2. The Zengin Data Telecommunications System is managed by the Tokyo Bankers Association (TBA). The Zengin System is a completely electronic payment system for domestic third party transfers which uses a communications and network from NTT Data Communications Systems Corporation. Transactions are entered and processed online but settlement does take place until after the Zengin System has closed for the day.
3. Checks and bills of exchange are cleared through more than 600 clearing houses in Japan each of which is operated by the respective local bankers association. More than 70% of the total clearing value is concentrated within the Tokyo Clearing House. Cutoff times are harmonized to coincide with BOJ-NET through which net settlement is effected.
4. The TBA also manages the Foreign Exchange Yen Clearing System (Gaitame - FEYCS). The FEYCS is a Designated Time Net Settlement (DTNS) system which accepts SWIFT formats for message transmission and uses BOJ accounts for settlement. FEYCS is used for clearing of JPY transactions associated with cross border financial transactions and is similar to CHIPS.

A company is considered resident in Japan if it is incorporated there or maintains its main office in Japan. Central management and control is not used as a criterion for determining residence. Resident companies are taxed on their

Weblinks

Sponsor

[KMAPPS](#)

Background

[USCIA](#), [US Department of Commerce](#), [Commercial Service Japan](#), [US State Department](#), and [Library of Congress](#)

Government

[Bank of Japan](#), [Economic Planning Agency](#), and [Ministry of Finance](#)

Consultants

[Ernst & Young](#) and [DTT WorldTax](#)

Associations

[American Chamber of Commerce](#)

Banks

[Fuji Bank](#), [Dai-ichi Kangyo Bank](#), [Bank of Tokyo-Mitsubishi](#), [Citibank](#), [Mitsui Trust](#), [Sakura](#)

worldwide income. Non resident companies are taxed only on Japanese-source income. The basic national rate of corporate tax is 34.5% (for corporations capitalized in excess of JPY 100 million) but local taxes are also imposed on income raising the effective rate to around 48%.

Treasury Management

Tokyo has been a traditional Asian financial center reflecting the strength and export focus of indigenous Japanese companies. In addition, non Japanese multinationals often established their first Asian presence in Japan and made this operation the Asian headquarters. This trend has moderated somewhat with the emergence of Singapore as a treasury center and the importance of Hong Kong to the PRC. Whether as a treasury center or as a spoke within a treasury hub Japan's substantial share of economic activity mandates efficient cash management.

All common treasury management techniques are permitted in Japan including leading/lagging, re invoicing, sweeping, and cash concentration. Multilateral netting is permitted without restriction. Pooling of Japanese Yen and other currencies is not permitted by the tax authorities. This may change in the near future and would enable industrial groups within Japan to offset JPY positions within the group.

The Yen is one of the world's most important currencies along with the US Dollar and Euro. Foreign exchange (FX) spreads and commissions are a revenue source for foreign and domestic banks. Accordingly, lifting fees or fees "in lieu of exchange" are often assessed on third party cross border money movements. Since these fees are not mandated by regulators or by cartel, negotiation is possible and advisable given their substantial size.

Multiple JPY accounts can be held to facilitate accounting objectives or as part of an overall treasury strategy. Sweeping (zero balancing) and concentration are permitted, but are not common business practice.

Accounts

The basic JPY operating account is referred to as a current account and may be held by resident or non-resident corporations. Banks are not permitted to pay interest on current accounts maintained by corporations. Corporate savings accounts are an option for earning interest.

Resident and non-resident corporations may hold accounts in Japan that are denominated in Japanese Yen, US dollars, and other currencies.

Interest is available on corporate savings accounts. Negotiable certificates of deposit and time deposits (teiki yokin) are also available with tenors generally beginning with one week.

Overdrafts are permitted, with the amount and rate determined by each bank. They are a source of short term financing along with term loans and other bank arranged credit instruments. In general, bank finance, provided to borrowers as a "framework" continues to be the major source of funding.

Payments and Receipts

Cash, Cards, Direct Debits, and ACH are widely used in retail settlements. Checks are seldom used. Commercial receipts can be made on a same day basis through BOJ-NET and settlements through the Zengin System are

[Bank](#), [Sanwa Bank](#), [Sumitomo Bank](#), [The Industrial Bank of Japan](#), and [The Long-Term Credit Bank of Japan](#)

News

[The Japan Times Online](#), [Asahi Shinbun](#), [Foreign Press Center](#), [FT Survey](#), [Kyodo News Web](#), [Mainichi Daily News](#), [NHK Online](#), and [The Daily Yomiuri](#)

Specialist Sites



[International Treasurer](#)
The Journal of Global Treasury and Financial Risk Management

generally available on a same day basis.

Lockbox type arrangements are permitted but not common business practice given the scarcity of checks and acceptance of electronic payments.

Controlled disbursement is not possible because the timing of check clearing house settlements has been timed to match BOJ-NET cutoffs. The common use of Zengin System based payment instruments eliminates the need for a functional alternative to controlled disbursement.

Technology and Marketplace

Japan has a modern telecommunications system including fiber optic cable and digital switches. Bandwidth is reasonably priced and readily available. In addition to an excellent infrastructure, Japan also has a number of value added networks (VANs) that enable efficient domestic electronic commerce.

Japan is a competitive and consolidating banking market which is home to large local, regional, and international banks. Local financial institutions include City Banks - large commercial banks similar to European universal banks - such as Fuji Bank, Bank of Tokyo Mitsubishi, Sakura, Industrial Bank of Japan, and Dai-Ichi Kangyo Bank. (Fuji Bank, Industrial Bank of Japan, and Dai-Ichi Kangyo bank will be consolidating in the fall of 2000.) Other domestic financial institutions include credit cooperatives and the postal service which do not typically serve corporate customers. Tokyo's role as a financial center ensures that virtually all global financial institutions maintain a presence in Tokyo. Not all of these institutions offer cash management services so the principal service providers are Standard Chartered, HSBC, ABN-AMRO, Chase, and Citibank. Citibank in particular has established a powerful presence as a Japanese cash management service provider.

Treasury Management in Japan

[Copyright 2000 - Knowledge Management Applications - All Rights Reserved - Updated 2000-2-11](#)

About This Document - The copyright is owned by Knowledge Management Applications. The style comes from a document type definition which is the valuable intellectual property of Knowledge Management Applications. The references to sites on the World Wide Web are for your convenience. These sites are provided and maintained according to separate terms and conditions of use. You may display this document on a computer screen, print it on paper, email it to others, and store it in electronic form. You may not modify, extract pages, mimic the style, or restrict access to the document. The document is for your general information and does not constitute any form of advice, recommendation, or arrangement by Knowledge Management Applications. The information in this document is provided 'as is' and there is no guarantee as to accuracy, completeness, or fitness for a particular purpose.