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**Japan contact**

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**Fast facts**

**Date**  
8-9 July 2009

**Delegates**  
Day 1: 410  
Day 2: 240

**Speakers**  
22

**SWIFT partners**

- CityNetworks
- Fiserv
- HP
- NS Solutions
- NTT Data Getronics
- Progress Software
- Sumisho Computer Systems
- Sterling Commerce
- Sungard

**Time for Japan to take actions**

**The global competitiveness of the Japanese financial market was the focus of the two-day Business Forum in Tokyo, Japan on 8-9 July 2009. Some 470 participants came to hear from top industry leaders about what the Japanese financial industry – working together with the Japanese authorities – still need to do in order to stimulate growth.**

**Yoshi Watanabe, head of SWIFT Japan, made this point when he referred to the latest City of London Global Financial Centres Index. While in 2008 Tokyo ranked seventh on this list, in 2009 it has fallen to 15th position, behind Toronto and Luxembourg.**

**SWIFT Chief Executive Officer Lázaro Campos acknowledged the somber state of the Japanese economy and the financial sector in particular, but urged the SWIFT community in Japan to “imagine what we could accomplish if we pulled together, like you did for Osaka, every time we have an opportunity here in Japan.” Campos’ reference to Osaka was to the community’s campaign to convince SWIFT to bring Sibos 2012 to Japan for the first time ever, as they had to rally together to beat out stiff competition from other major Asian event capitals.**

Japan is SWIFT’s largest market in Asia and the ninth largest globally in terms of traffic volumes. Nearly 90 percent of Japan’s traffic over SWIFT, however, is international. “Imagine if you could rationalise your back office and use SWIFT domestically – imagine the growth and efficiencies you would see,” said Campos. He also encouraged the Japanese community to “be selfish” when speaking with SWIFT over the coming months as it gathers input for SWIFT’s 2015 strategy: “Be selfish: tell us what you want from SWIFT to make your businesses more profitable and successful.”

“Common rules, infrastructure and platforms will bring money into Japan and will get money out of Japan,” declared Daisuke Toki, president of Goldman Sachs Asset Management (Japan), who gave the keynote address. He called for greater collaboration between stock exchanges globally so as to stabilise the primary and secondary markets and allow asset management to grow. “In order for Japan to grow, we need a strong asset management industry, especially for pension management,” he asserted.

**Domestic standardisation is key to globalisation and integration**

Taking a look at recent trends in Japanese payments, Tadaaki Otsubo, deputy general manager of the Japanese Bankers Association, reported on significant progress made since last year for adoption of the ISO 20022 standards by Zengin, which





▲ Lázaro Campos, Chief Executive Officer, SWIFT

handles domestic payment systems across Japan. Masayuki (Mike) Tagai, chief manager at the Bank of Tokyo-Mitsubishi UFJ, explained that ISO 2022 does not mean XML standards and is the smart move for Japan. “China, Southeast Asia and India will choose ISO 2022 when they go for standardisation – and they are the ones who will drive future growth. Unless isolation is desired [by Japan], and there’s no concern about future trends, we need ISO 2022.”



▲ Daisuke Toki, President, Goldman Sachs Asset Management Co., Ltd.

Bob Blair, Asia head of ebanking services, J.P. Morgan, agreed. “Standards are at the heart of Japan’s domestic financial markets,” he said. “Our competitive interests don’t come from standards but from the value they give to us. The larger the community using the standards, the greater the opportunity for us all.”

Blair pointed to Brazil as a “great case study of the value of global standards facilitating cross border growth.” He also said Europe is a case study that demonstrates “the power of common action and the power of standards to drive commerce and innovation.” In a comment that was supported by other speakers throughout the day, Blair also noted that Europe’s regulatory developments will influence what will happen in Asia.

### Nonbanks and banks driving innovation in Japan

A panel of Bank of Tokyo-Mitsubishi-UFJ, NTT DOCOMO and PayPal took on the issue of innovation in the Japanese retail payments market. Makoto Shibata, principal analyst at the BOTM-UFJ, explained how customers of their Jibun Bank can transfer money over their cell phones simply by inputting the cell phone number of their counterparty. Masaki Yoshikawa, senior vice president at NTT DOCOMO, said that cell phone services and their mobile e-wallet products are a niche part of their services, aimed at low-value payments and small remittances. “Banks still provide credit transfer and international banking, so there’s no real competition between these services and traditional banking,” he said.

Kevin Yu, president of PayPal Japan, which is now building the business case for entering this market thanks to recent legislation permitting non-banks to process payments, stated that “we believe that increasing PayPal users should help banks because PayPal focuses on growing an online marketplace. In Japan, 90 percent of transactions are done offline, and of that, one-half is done in cash. Every time someone pays cash, the bank makes no money.



▲ From left: Tadaaki Otsubo, Deputy General Manager, Japanese Bankers Association; Masayuki Tagai, Chief Manager, The Bank of Tokyo-Mitsubishi UFJ and Yoshiaki Watanabe, Head of Japan, SWIFT



Online, there are points for banks or others to make money, and if we help start this get started faster, we help monetarise more commercial opportunities for banks.”

Professor Masashi Nakashima of Reitaku University, who just published the first book ever written about SWIFT, asked if these new innovative services are “more of an alternative to cash than an alternative to banking?”

### JASDEC implementation will drive growth in Japan

Shunichiro Unno, deputy director of Japan Securities Depository Center, kicked off the panel discussion outlining the objective, scope, current status and benefits of the JASDEC project, which enables JASDEC’s users to connect both the Pre-Settlement Matching System and Book-Entry Transfer System by global ISO 20022 formats over SWIFT. Four panelists from The Bank of Tokyo Mitsubishi UFJ, Citibank, Deutsche Securities and Goldman Sachs gave an insight into the project as the major players engaged in cross-border securities transactions.

During the panel discussion of recent trends in the Japanese securities industry, Ipei Fujita, vice president of Goldman Sachs Japan, urged Japan to connect to existing infrastructures with ISO 20022 rather than start from scratch in terms of global trade matching. Jabbar Ismail, director at Deutsche Securities, agreed that the JASDEC project “goes a long way

to make this happen because it lowers the cost for companies to do business in Japan and decreases their time to market.” He added that for financial institutions, the benefits are equally clear: “We can leverage our SWIFT investment to decrease cost and complexity here in Japan, and can use our Japanese IT force in other markets and countries – we’ll no longer need a dedicated Japanese IT team because the system here is different.”

### Views from Japanese Corporate Treasury

The panel discussing Japanese corporates was purposefully comprised of medium-sized companies, said SWIFT vice president Tohru Yoshimi, because they use SWIFT for three reasons shared by many corporates across Asia. These three strong reasons for Japanese corporates to establish global treasury management are 1) optimisation of working capital with visibility; 2) global tax strategy; and 3) compliance and governance to make their cash/treasury management successful.

Visualisation was a major theme of the panel. Takashi Matsuoka, manager at Nippon Paper



▲ From left: Kevin Yu, President, PayPal Japan; Makoto Shibata, Principal Analyst, The Bank of Tokyo-Mitsubishi UFJ; Masaki Yoshikawa, Senior Vice President, NTT DOCOMO and moderator Masashi Nakashima, Professor, Reitaku University



▲ Shunichiro Unno, Deputy Director, Japan Securities Depository Center



▲ Toshiya Furukawa, Vice President, Citibank Japan





^ From left: Tohru Yoshimi, Vice President, Japan, SWIFT; Shuji Tayama, Manager, DIC Corporation;

Industries, said that visualisation is a first step forward: “Once we know the account balance, credit/debits, and dates and can view that over a period of time, we can make decisions.” Shiji Tayama, manager at DIC Corporation, added that corporates want to track their average balances on a group-wide basis so they can see their hidden reserves.



^ Hideo Kazusa, General Manager, Transaction Services Division, The Bank of Tokyo-Mitsubishi UFJ

Munenori Aarashima, head of sales at HSBC in Japan, said that the ultimate state of visualisation comes from a shared service centre and agreeing that visualisation is indeed at the top of customers’ requests. In Japan, moreover, recent J-SOX regulations will require companies to make everything visible.



^ Yukinobu Onoda, Managing Director, Operations Change Management, Nomura Securities

“Companies are asking [us] what to look for, where to look and where they need control,” he explained, adding that “it’s important to figure this out from a global perspective first, before deciding on which system you use to manage it.”

While the simplest way to consolidate funds is to use a single bank, the panelists agreed that this is not always easy for companies to do because local branches want to use local banks and because often the overseas

branches of Japanese banks are not sufficiently integrated into those domestic markets. Arashima noted that “you really can’t talk about Japanese companies without talking about their overseas businesses... [however] Japanese companies don’t talk with us about ‘straight-through-processing’ -- we talk with them about how to help them be global.”

### SWIFT as a driver for growth in Japan and Asia

SWIFT’s chief executive for Asia, Ian Johnston, wrapped up the first day’s events, observing that indeed the global competitiveness of the Japanese markets is perhaps the key issue for providing opportunities for future growth. “Can’t increasing the use of SWIFT domestically help contribute to ensuring Japan’s success as a financial centre?”, he suggested. For example, Japan needs to consider whether it wants to use bespoke standards particular to a specific market or if it will embrace global standards: “do we want totally separate systems here?”

Johnston also shared insights from a June 2009 World Economic Forum symposium he attended in Seoul, Korea. “Asia is not decoupled from the rest of the global economy,” he observed, and indeed globalisation



^ Eizaburo Miyashita, Senior Vice President, Mizuho Corporate Bank



has overall been good for Asia.

The main areas for growth of SWIFT in Asia Pacific, said Johnston are threefold. First, SWIFT sees growth in market infrastructures, “which benefit you as banks because of rationalisation.” In the longer term, China and India are key to SWIFT’s future growth because of their sheer size and the opportunities from within their domestic markets. He pointed to Shanghai, where SWIFT is “in the right place at the right time to contribute to Shanghai positioning itself as a financial centre.” Third, he pointed to emerging markets such as Vietnam and Indonesia because of their ability to perhaps leapfrog much of the learning process and develop state-of-the-art globalised markets from the beginning. With SWIFT active across Asia and across the markets, he remarked, there really is no rational answer to the question, “why would you not use SWIFT?”

### **We have to voice our opinions**

“Traditionally and historically, SWIFT has been perceived as more of a European institution. In Japan, we have to voice our opinions about what we want SWIFT to do for us. We have to be clear in the 2015 talks.... Unless we speak up, the US and Europe will have a bigger say. That’s why there is a gap between world growth [over SWIFT] and Japan’s growth. Domestic market infrastructures in Europe use SWIFT, but not in Japan. In Japan, SWIFT is used mainly for international transactions and not by domestic market infrastructures.”

With these strong words, Hideo Kazusa, general manager of the Transaction Services Division at the Bank of Tokyo-Mitsubishi UFJ and SWIFT Board Member, challenged the SWIFT community in Japan to become more active, especially in the domestic market.

Kazusa added that major securities dealers and non-Japanese foreign institutions make up 60 percent of the Japanese securities traffic over SWIFT. “We have to make Japan more attractive to investment,” he urged, in order to drive continued growth and competitiveness of this market.

Yukinobu Onoda, managing director of operations change management at Nomura Securities and outgoing SWIFT Securities Steering Committee member, agreed: “We need to see an expansion of SWIFT usage in Japan. I think we can, thanks to ISO 20022, which is tantamount to using SWIFT.”

Following reports from the Japan representatives on the Payments Market Practice Group (Masayuki Tagai) and the Securities Market Practice Group (Eizaburo Miyashita, senior vice president, Mizuho Corporate Bank and Taketoshi Mori, Chief Manager, The Bank of Tokyo-Mitsubishi UFJ) as well as the Corporate Advisory Group (Minoru Yoshida, general manager,

Mizuho Corporate Bank), the conference turned to presentations about SWIFT’s product and services .

In addition to discussions about SWIFT’s solutions for treasury markets, payments and securities, a panel took a closer look at SWIFT’s Lite interface offering. Kenishi Hideshima, executive director of Ueda Yagi Tanshi, explained that the Tanshi Kaishi money market broker/dealers firm is using Lite for dollar operation settlement because it allows for clear cost containment according to simple monthly fee plans.

Ryuta Oba, Manager at Tokyo Tanshi, explained that when they started the Lite project – which took just three weeks after subscription to go live – they had no experience of SWIFT. Thanks to a short training course they now find it “easy” to use Lite to make their payments directly over SWIFT.

Bringing the two-day conference to an end, SWIFT vice president Kazuhisa Fujimura encouraged the group to come to Sibos 2009 in Hong Kong in September “to continue this discussion together with our colleagues from the rest of Asia as well as Europe and the Americas.”





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### **Giving back to the community:**

SWIFT supports Ashinaga, a private non-profit organisation founded in Japan back in 1969. They benefit children and create opportunities for equal education for them through scholarships. They also provide financial assistance to orphans. To date, they have offered over 60,000 scholarships for orphans under the Ashinaga Scholarship Society programme. To support Ashinaga as part of the community, please refer to [www.ashinaga.org](http://www.ashinaga.org)