

THE FINANCIAL NETWORK SYSTEM OF THE BANK OF JAPAN

OUTLINE OF THE NEXT-GENERATION RTGS (1st PHASE)

**SYSTEM'S COMPUTER CONNECTIONS AND FILE UPLOADING
AND DOWNLOADING FUNCTIONS**

This is the third of a three-part translation on the RTGS-XG system.

SAMPLE ONLY

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The International Bankers Association has prepared this translation with the intention of having the content, as much as possible, accurately represent the Japanese original. However, differences in layout and pagination from the Japanese original will exist.

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Detailed Specifications of BOJ Financial Network System for Next-Generation RTGS Response (Initial Stage Response) for BOJ Current Account Settlements **(Second Edition)**

***Sections changed since the release of the first edition in December 2006 are shaded yellow and/or underlined (pages 22, 27, and Attachment 4 only in this text).**

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Attachment 1 Procedural Flows for Next-Generation RTGS-Related Operational Procedures (Excluding Operational Procedures Related to Foreign Exchange Yen Clearing System)

Attachment 2 Layout of Input Screens, Output Forms, and Inquiry Functions, etc., For Next-Generation RTGS-Related Operational Procedures (Excluding Operational Procedures Related to Foreign Exchange Yen Clearing System)

Attachment 3 Procedural Flows for Operational Procedures Related to Foreign Exchange Yen Clearing System after Introduction of Liquidity-Saving Function)

Attachment 4 Layout of Input Screens, Output Forms, and Inquiry Functions, etc., for Operational Procedures Related to Foreign Exchange Yen Clearing System after Introduction of Liquidity-Saving Function

Volume 1 and **2** are strongly recommended reading for those who wish to use the liquidity-saving function because they organize information on items that are common to the operational procedures related to Next-Generation RTGS. **Volume 3** is recommended reading for those who wish to use the liquidity-saving function for third-party transfers. And **Volume 4** is strongly recommended reading for banks that are members of the Foreign Exchange Yen Clearing System because it organizes information on the operational procedures related to the Foreign Exchange Yen Clearing System after the introduction of the liquidity-saving function.

VOLUME 1 BASIC FRAMEWORK

1. Overview of Liquidity-Saving Function

The liquidity-saving function consists of the following functions: a queue function and a multiple instruction simultaneous settlement function.

(1) Queue function

The queue function is a new function in the Bank of Japan's Financial Network System ("BOJ-NET"). It makes transactions that could not be settled when they were entered wait in each participant's queue.

Multiple instruction simultaneous settlement function

The multiple instruction simultaneous settlement function automatically finds the combination of transactions that will allow payments to be settled simultaneously with deposits. It automatically finds the combination among the newly entered transactions ("new

transactions”) and transactions waiting in a queue (“queued transactions”). It allows simultaneous settlement on the assumption that, even without additional deposits from the counterparty, the funds scheduled for receipt are also included in the underlying funds for payment. Whenever it finds such a combination, it settles the transactions in the combination simultaneously.¹ In addition, it does not settle transactions by offsetting payables and receivables, but performs RTGS processing on the targeted transactions one by one simultaneously.

Transaction combination search and settlement are automatically performed by a bilateral simultaneous settlement function, which is the main function, and by a multilateral simultaneous settlement function, which complements the bilateral simultaneous settlement function.

a. Bilateral simultaneous settlement function

The bilateral simultaneous settlement function is broadly divided into entry processing and conditional activation processing, as described below:

(a) Entry processing

When the bilateral simultaneous settlement function receives a new transaction, it processes the new transaction according to the following procedure:

- ① It treats a new transaction as the target transaction, and calculates the balance resulting from combining and settling simultaneously the target transaction and its reverse transaction (refers to a queued transaction where the new transaction's entry source and counterparty are opposite) waiting at the head of the queue. If it can settle (which it can do provided the withdrawal does not result in a lack of funds), it will settle both transactions simultaneously (and ends processing).
- ② If it cannot settle, it tries to settle by combining the target transaction and its reverse transaction waiting next in the queue. If it can settle, it settles these simultaneously. It repeats the attempts until it finds a combination that it can settle. (Hereinafter, the process of searching for a combination that can be settled involving ① and ② is called generically “bilateral simultaneous settlement processing.”)

¹ This includes the case when the outcome is that one transaction is settled by itself. (See a. (a) ③, (b) ③.)