

## Update on Zengin System Extended Operating Hours

### Japanese Banks' Payment Clearing Network

#### 1. Zengin System Extended Operating Hours

- When financial institutions such as banks make credit transfers to other banks, at present, payment to the recipient account in real time is typically only made during the period between morning and late afternoon on weekdays. As a result, from late afternoon until morning on weekdays and on Saturdays, Sundays, and holidays, even when credit transfers are made using an ATM or like, in most cases the payment is not actually made to the recipient account until the morning of the following business day.
- There are various reasons why the period during which real-time payments are made is restricted, such as differences in customers' needs at each bank, but a major reason is the operating hours of the Zengin System,<sup>1</sup> which communicates credit transfer information between banks, are limited to the period from 8:30 a.m. to 3:30 p.m. on weekdays.<sup>2</sup>
- Extending the operating hours of the Zengin System to make it operational 24/7<sup>3</sup> is designed to improve the convenience of credit transfers to other banks<sup>4</sup> on weekdays during the period between late afternoon and morning and on Saturdays, Sundays, and holidays.
- As explained later, participation in this system will be at the discretion of individual banks. As a result, it will not necessarily be possible to realize real-time payments for credit transfers between all banks from the beginning of the extended operating hours. Furthermore, the actual hours during which services are available and the channels that can be used (Internet banking, ATMs, etc.) may vary depending on the participating bank and account conditions.
- In addition, credit transfers between accounts at the same bank are not covered

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<sup>1</sup> The system managed by the Japanese Banks' Payment Clearing Network (Zengin-net). It handles online domestic exchange transactions between financial institutions. For details, see <https://www.zengin-net.jp/>.

<sup>2</sup> On the last business day of the month (excluding year-end business days), the operating hours are from 7:30 a.m. to 4:30 p.m.

<sup>3</sup> It is possible that there will be temporary suspensions of operation due to system maintenance and the like.

<sup>4</sup> The financial institutions that use the Zengin System include institutions other than banks, and depositary financial institutions other than banks will also be able to participate in the extended operating hours.

by the Zengin System, so they will not be covered by this initiative either.

- At present, the target date for beginning service<sup>5</sup> is the second half of 2018. We are continuing to pursue evaluations and preparations relating to the new system.

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<sup>5</sup> The target start date for the extended operating hours of the Zengin System is the second half of 2018, but the start date for providing services to customers at individual participating banks will be decided by each bank.

### Image of Newly Extended Operating Hours (See Section 2 for Details)

Time period	Weekdays	Saturdays, Sundays, and holidays
0:00 to 8:30		
8:30 to 15:30	<p><b>Current operating hours (using current system)</b></p> <ul style="list-style-type: none"> <li>• Current hours where all member banks are required to be connected.</li> <li>• Real-time payments are possible between all member banks.</li> <li>• Current operating hours will be maintained by the current system.</li> </ul>	<p><b>Newly extended operating hours (using More Time System)</b></p> <ul style="list-style-type: none"> <li>• To realize 24/7 operation, a new platform (More Time System) will be built separate from the main system.</li> <li>• Envisioned mainly for credit transfers using Internet banking and ATMs.</li> <li>• Real-time payments between connected member banks are realized.</li> </ul>
15:30 to	<p><b>Shared connection time</b></p> <ul style="list-style-type: none"> <li>• Time during newly extended operating hours when all member banks are connected.</li> </ul>	
24:00		

## 2. Framework for Realizing Extended Operating Hours

### (1) Building a new platform (More Time System)

- As a method for realizing 24/7 operation of the Zengin System, in addition to the current Zengin System with operating hours of 8:30 to 15:30 on weekdays and 7:30 to 16:30 on the final day of the month<sup>6</sup>, a new platform (the More Time System) separate from the main system will be built to cover such time periods when payments were not processed such as the evening to night period on weekdays and Saturdays, Sundays, and holidays where considerable unmet needs exist for both individuals and companies. As a result, the existing main system and the More Time System together will operate on a 24/7 basis and will establish an environment where real-time credit transfers to other banks will become possible.
- All member banks<sup>7</sup> are required to be connected during current operating hours. On the other hand, each member bank will be able to choose whether or not to participate in the More Time System.
- Since preparation times will differ by member bank, based on factors such as their system development conditions and administrative preparations, it will be possible for member banks that choose not to participate when the

<sup>6</sup> Excluding the year-end business days.

<sup>7</sup> Depository financial institutions that are members of the national Japanese banks' domestic exchange system (a system primarily for payment clearing between banks, etc., using the Zengin system).

More Time System first starts operation to begin participating once they are ready.

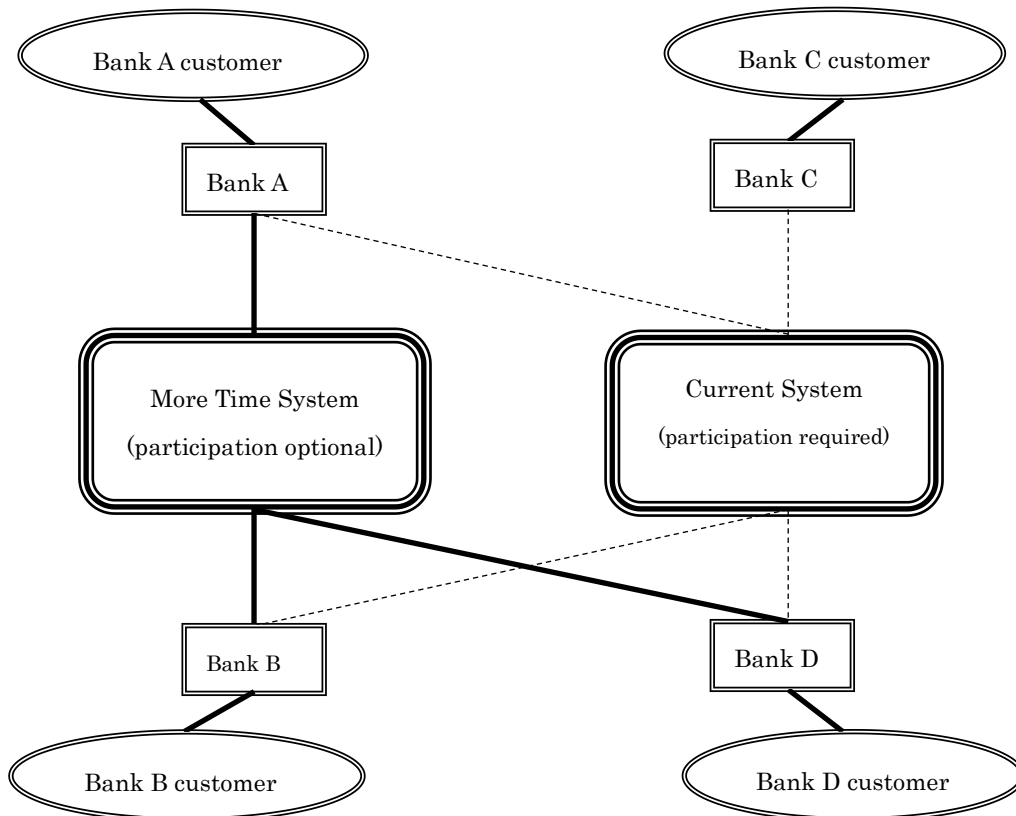
- Furthermore, each bank that opts to participate in the More Time System (“participating banks”) will be able to choose the specific time period during the extending operating hours when it will be connected, based on its customer needs and so forth. As a result, depending on the time period, there may be cases where credit transfers via the More Time System cannot be made, even if the bank is participating in the system.
- However, all participating banks shall be connected during the period from 3:30 p.m. to 6 p.m. on weekdays, when there is high demand among both individuals and companies.
- The condition for completing real-time payments during newly extended operating hours is banks making credit transfers (sending banks) and banks receiving credit transfers (receiving banks) both being connected to the More Time System at the same time.

## Diagram of Current System and More Time System

### Case 1

Example in which Bank A, Bank B, and Bank D are participants in the More Time System (while Bank C is not) and Bank A, Bank B, and Bank D are all connected to the More Time System at the same time

- In this case, real-time payment is possible when a credit transfer is made from any of Bank A, Bank B, or Bank D to any of Bank A, Bank B, or Bank D. However, as indicated above, credit transfers between accounts at the same bank (e.g., a credit transfer from an account at Bank A to another account at Bank A) are not covered by this system, and whether or not real-time payment is possible depends on the individual bank.
- In cases other than the above (e.g., a credit transfer from or to Bank C), payment will typically be made on the following business day<sup>8</sup>, as is currently the case.



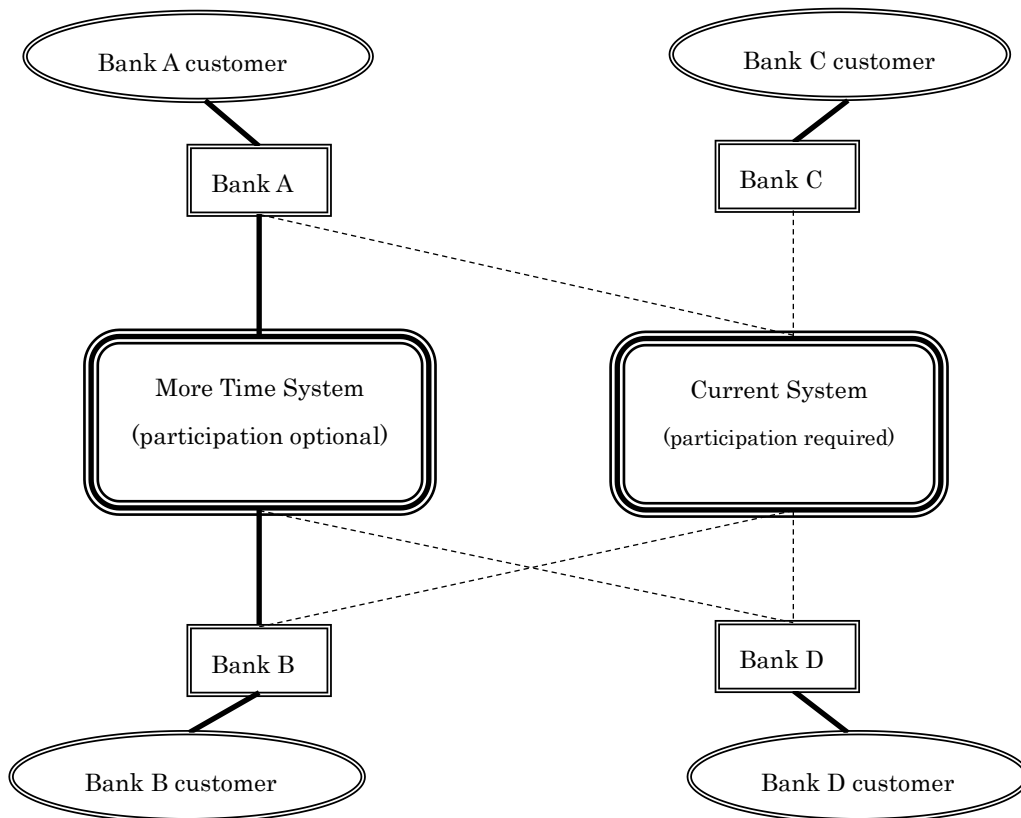
- Solid lines ( — ) indicate network lines that are in communication.
- Dotted lines ( - - - - ) indicate network lines that are not in communication.

<sup>8</sup> Specifically, payment will be made via the current system, in conjunction with the More Time System, at the time on the following business day when banks connect to the current system (normally 8:30 a.m.: 7:30 a.m. on the last business day of the month, excluding year-end business days).

**Case 2**

Example in which Bank A, Bank B, and Bank D are participants in the More Time System (while Bank C is not), but only Bank A and Bank B are currently connected (Bank D is not connected due to system maintenance or the like)

- In this case, real-time payment is possible when a credit transfer is made from 1) Bank A to Bank B, or 2) Bank B to Bank A.
- In the case of 3) credit transfer from Bank A or Bank B to Bank D, the payment will be made when Bank D reconnects to the More Time System or on the following business day.<sup>9</sup>
- In the case of 4) credit transfer from Bank D to Bank A or Bank B, the payment will typically be made when Bank D reconnects to the More Time System or on the following business day.<sup>10</sup>
- In cases other than the above (e.g., a credit transfer from or to Bank C), payment will typically be made on the following business day<sup>11</sup>, as is currently the case.



- Solid lines ( — ) indicate network lines that are in communication.
- Dotted lines ( - - - - ) indicate network lines that are not in communication.

<sup>9</sup> See note 8.

<sup>10</sup> See note 8.

<sup>11</sup> See note 8.

(2) Operations Covered by More Time System When Introduced

- The More Time System shall be limited to the minimum required functions when it starts operation.
- Specifically, the operations covered by the More Time System when it is introduced shall be telegraphic fund transfers<sup>12</sup> involving credit payment amounts of less than 100 million yen.<sup>13</sup> Credit transfers involving a deposit date specified in advance (post-dated credit transfers) or credit transfers involving requests to make multiple transfers at once (bulk transfers or salary/bonus transfers) shall not be covered by the More Time System when it is introduced.

3. Intention of Banks to Participate in the More Time System

- As of the end of May 2016, approximately 80% (112 banks) of all member banks<sup>14</sup> wished to participate in the More Time System from the beginning (connection hours are to be surveyed later<sup>15</sup>). In order to improve convenience for customers, we will continue our efforts to further increase participation among member banks, based on the benefits of the system.<sup>16</sup>

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<sup>12</sup> The actual amount that customers can transact will vary depending on the maximum handling amount for the channel at the individual bank.

<sup>13</sup> A communication method for sending and receiving a credit transfer (exchange notification) online via the Zengin System in real time.

<sup>14</sup> Out of all clearing participants (144 banks) and financial institutions that outsource clearance using a separate connection method (1 bank) (total of 145 banks as of the end of May 2016). This count therefore does not include credit unions, credit associations, labor credit associations, agricultural cooperative credit federations, fishing cooperative credit federations, agricultural cooperatives, and fishing cooperatives.

<sup>15</sup> From 3:30 p.m. to 6 p.m. on weekdays, all participating banks shall be connected, and with regard to connection during other time periods, we plan to conduct a survey of banks who wish to participate in future.

<sup>16</sup> Including those banks who wish to begin participating after the system begins operation, at the time of the survey (end of May 2016), over 90% of the 145 banks intended to participate in the More Time System.