Study Group on the Future Vision of the Payment System

Summary of Findings

March 2026

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This report is an English translation of the Japanese original published on March 19, 2026.
In the event of any discrepancy between this translation and the Japanese original, the Japanese original shall prevail.

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Introduction

Since its launch in 1973, the Zengin Data Telecommunication System (the "Zengin System"), Japan's primary payment system, has long underpinned economic activity by maintaining balance between safety and efficiency. While it continues to serve as a vital element of financial infrastructure, the payments landscape has been evolving rapidly, both domestically and internationally. In light of these developments, it is essential to envision a next-generation payment system that can respond to diversifying user needs and maintain international competitiveness.

Looking abroad, various payment system initiatives are underway in other jurisdictions, including efforts to enhance cross-border payments through real-time payment infrastructures, and initiatives to standardize messaging formats through the adoption of ISO 20022 to facilitate greater data integration and utilization.

Against this backdrop, the Zengin-Net Expert Panel, in its FY2024 deliberations, recommended that Japan engage in discussions on the long-term advancement of its payment system and the articulation of a clear future vision. In response, Zengin-Net (the Japanese Banks' Payment Clearing Network) established the "Study Group on the Future Vision of the Payment System" (the "Future Vision SG") in FY2025 (April 2025 to March 2026), comprising experts from both the public and private sectors.

The Future Vision SG held wide-ranging discussions on the future vision of the payment system. In these discussions, a consensus emerged that incremental modifications and functional enhancements to the existing Zengin System have been approaching their limits, and that building a new payment system (the "New Payment System") may be more practical, as it could reduce costs and respond more flexibly to changes. On this basis, the group proceeded to examine the feasibility of developing a New Payment System.

This report, based on the discussions in the FY2025 Future Vision SG, presents the key issues and directions for developing the New Payment System as its core concept (the "Core Concept").

1. Domestic and International Developments Surrounding Payment Systems and Challenges in the Zengin System

Payment systems have continued to evolve, while balancing safety and efficiency as a foundation supporting economic activity. In recent years, the deployment of Fast Payment Systems (FPS) with real-time settlement capabilities has accelerated globally, with increasingly sophisticated functions being implemented across these systems. To enhance interoperability with payment systems in other jurisdictions, the adoption of ISO 20022, the international standard messaging format, has gained momentum, while FPS interlinking initiatives are now underway as part of efforts to improve cross-border payments. In Japan, however, challenges related to sustainability and convenience have become apparent. These include the growing complexity of the layered architecture of Japan's payment system and the fragmented allocation of roles among its components, driven by the proliferation of peripheral systems around the Zengin System. A so-called 'Galápagos syndrome' (a Japanese term likening domestically isolated technological evolution to that of the Galápagos Islands) has likewise become more evident, reflecting a growing divergence from international standards due to reliance on proprietary domestic specifications.

Furthermore, in light of the revisions to FATF Recommendation 16, outlined later in this chapter, which require strengthened international regulatory compliance, it has become imperative to engage in substantive discussions on how to fundamentally address the current challenges in Japan's payment system. This chapter first provides an overview of overseas developments and then outlines the challenges facing Japan's overall payment infrastructure, with a particular focus on the current Zengin System.

1.1 Domestic and International Developments Surrounding Payment Systems

1.1.1 Overseas Initiatives Related to Real-Time Payments

FPS have been established in multiple other jurisdictions (Figure 1-1), and various FPS-based initiatives have become key drivers of payment modernization in each jurisdiction.[1]

[Figure 1-1: Launch Dates of FPS in Major Jurisdictions]

Jurisdiction	Operator	System Name	Launch Date
United States	Federal Reserve	FedNow	2023

[1] The latest developments in FPS in other jurisdictions are set out in the Zengin-Net Survey Report 2025.

Jurisdiction	Operator	System Name	Launch Date
	The Clearing House	RTP	2017
Eurozone	European Central Bank	TIPS	2018
	EBA Clearing	RT1	2017
United Kingdom	Pay.UK	FPS	2008
Canada	Payments Canada	RTR	2026 (planned)
Australia	NPP Australia	NPP	2018
South Korea	KFTC	EBN	1988
Japan (ref.)	Zengin-Net	Zengin System	1973

(a) Functions Implemented in FPS in Other Jurisdictions

FPS in other jurisdictions already offer capabilities — beyond real-time settlement — that are not available in the Zengin System. Five key functions are outlined below.

Confirmation of Payee

A function that enables verification of the recipient account's existence and validity before funds are sent. This helps prevent transfers to incorrect accounts and reduces the risk of failed payments. [2]

Payment Status Confirmation

A function that allows confirmation of whether crediting has been completed successfully or of the processing status following a transfer. Both FPS users (corporate and retail) and participants (financial institutions) can verify crediting outcomes in real time or near-real time, thereby reducing uncertainty after remittance and alleviating the operational burden of payment confirmation.

Alias-based Transfer

A function that enables transfers by specifying alias identifiers — such as mobile phone numbers or email addresses — that have been pre-registered to an account. This eliminates the need to directly enter account numbers, thereby enabling simple and convenient transfers.

QR Code Transfer

[2] In Japan, this function is provided through the Integrated ATM Switching Service operated by NTT Data, but it is not implemented within the Zengin System itself. Furthermore, since the use of the Confirmation of Payee function is not mandatory for participants, there are cases in which this function is not utilized.

A function that displays destination information in the form of QR code, allowing users to make transfers by scanning it. By eliminating the need for manual entry of account numbers or amounts, this reduces input errors and streamlines the transfer experience in various use cases, including in-person payments and point-of-sale transactions.

Request to Pay

A function that allows the recipient to specify the payment amount and send a payment request, with the payer confirming the details before making the transfer. This can prevent discrepancies in billing details and amounts, and provides an efficient payment method for peer-to-peer (P2P) payments and receivables collection by small businesses.

As shown in Figure 1-2, these functions have been widely implemented across both Western and Asian jurisdictions including Singapore and Thailand.

[Figure 1-2: Functions Implemented in FPS in Other Jurisdictions]

Basic Information and Functions		United States	Europe	Asia (Project Nexus Participants)				
		RTP		Singapore	Thai	India	Malaysia	Philippines
System Name		Zelle*1	TIPS	FAST	Prompt Pay	UPI	DuitNow	InstaPay
Operating Entity		The Clearing House (Banking industry operator)	Eurosystem (ECB and European national central banks)	BCS (Banking industry operator)	National ITMX (Banking industry operator)	NPCI (Central bank and banking industry operator)	PayNet (Central bank and banking industry operator)	PPMI (Banking industry operator)
Functions	Confirmation of Payee	No (Pre-registration as a recipient is required)	Yes (Optional, not standard)	Yes	Yes	Yes	Yes	Yes
	Payment Status Notification	Yes (APIs)	Yes (Query Payment Transaction function)	Yes (Instant)	Yes	Yes (10-15sec response)	Yes (Instant)	Yes (Near-instant)
	Alias-based Transfer	Yes	No	Yes*2	Yes	Yes	Yes	Yes*3
	QR Code Transfer (Unified standard)	Yes	No	Yes*2 (SGQR)	Yes (Thai QR)	Yes	Yes (DuitNow QR)	Yes (QR Ph)
	Request to Pay	Yes	No	Yes*2	Yes	Yes	Yes	Yes*3
(Ref.) Target Settlement Speed		Within a few minutes	10sec (Actual: 99.99% 5sec)	Instant	Instant	10~15 sec (After 2025 software update)	Instant	Near-instant

*1 Most-used RTP app in the U.S.
*2 FAST using FAST as infrastructure: PayNow / PayNow Corporate functions
*3 Independently implemented by some banks

(b) ISO 20022

Although FPS primarily handle domestic transfers, the international adoption of ISO 20022 as a message format is expected to enhance interoperability with payment systems in other jurisdictions.[3]

[3] In adopting ISO 20022, while it is important to take into account its philosophy and data model to ensure international interoperability and future scalability, ISO 20022 is a messaging standard framework that does not require full adoption of every message type. Implementers may adopt relevant message definitions selectively.

In practice, as shown in Figure 1-3, major advanced economies that launched FPS from the 2010s onward (the United States, the Eurozone, Australia, and Canada (planned)) have been migrating their payment infrastructure, including FPS, to ISO 20022.

These developments are directly linked to improving the efficiency of cross-border payments; SWIFT, the global financial messaging network, also completed its migration to ISO 20022 in November 2025.

[Figure 1-3: ISO 20022 Adoption Status of Payment Infrastructure in Various Jurisdictions]

... Migration to ISO 20022 confirmed (utilization status unclear)
... Planned migration to ISO 20022 confirmed (discussion status unclear)

	United States		Eurozone		United Kingdom		Canada	
Operator	**Fed (Central Bank)**	**TCH (Private)**	**ECB (Central Bank)**	**EBA Clearing (Private)**	**BOE (Central Bank)**	**Pay.UK (Private)**	**BOC (Central Bank)**	**Payments Canada (Private)**
24/7 Real-Time Payment System	FedNow	RTP	TIPS	RT1	—	FPS	—	RTR
Bulk System	FedACH	EPN	—	STEP2	—	BACS	—	ACSS
Large-Value Settlement System	Fedwire	CHIPS	TARGET2	EURO1	CHAPS	—	Lynx	
Remarks	• Fedwire, migrated to ISO 20022 in July 2025. • FedNow and RTP: No interoperability.		• Between TIPS and RT1: Interoperability provided for banks upon request.		• Pay.UK had planned to build a new ISO 20022-compliant system, but the project was cancelled. • A fundamental review, including ISO 20022 compliance, is expected to be conducted from scratch.		• RTR is planned to be ISO 20022-compliant from launch. • ACSS has a phased migration period through November 2025.	

... Migration to ISO 20022 confirmed (utilization status unclear)
... Planned migration to ISO 20022 confirmed (discussion status unclear)

	Australia		South Korea		(Ref.) Japan	
Operator	**RBA (Central Bank)**	**NPPA (Private)**	**BOK (Central Bank)**	**KFTC (Private)**	**Bank of Japan (Central Bank)**	**Zengin-Net (Private)**
24/7 Real-Time Payment System	—	NPP	—	EBN	—	Zengin System
Bulk System	—	BECS	—	GIRO	—	Zengin System
Large-Value Settlement System	RITS	HVCS	BOK-WIRE+	—	BOJ-NET	Zengin System
Remarks	• BECS is under consideration for discontinuation, with BECS transactions expected to migrate to the NPP.		• EBN has a Confirmation of Payee function similar to that used in Japan.		• For cross-border remittances processed through the Foreign Exchange Yen Clearing System, BOJ-NET uses ISO 20022 messages.	

Typical examples of ISO 20022 messages are shown in Figure 1-4. Capabilities such as Confirmation of Payee and Request to Pay are implemented through these messages. While FPS operators that have adopted ISO 20022 determine which message formats to

use in their FPS based on domestic needs, the pacs.008 message for customer-initiated credit transfers and the pacs.009 message for interbank funds transfers are commonly adopted across FPS in various jurisdictions.

[Figure 1-4: Examples of ISO 20022 Messages]

Message Type	Description
pacs.008	Message for credit transfers initiated based on customer instructions
pacs.009	Message for interbank funds transfers
pacs.002	Message for the receiving bank to notify the sending bank of the transfer outcome
pacs.004	Message for return of funds by the receiving bank
pacs.028	Message for payment status inquiries of previously sent payment instructions or requests
pain.013	Message for sending a Request to Pay
pain.014	Message for responding to a Request to Pay with approval or rejection
acmt.023	Message for querying account information for Confirmation of Payee, etc.
acmt.024	Response message to acmt.023

** In addition to the messages listed above, ISO 20022 messages include multiple other message types.*

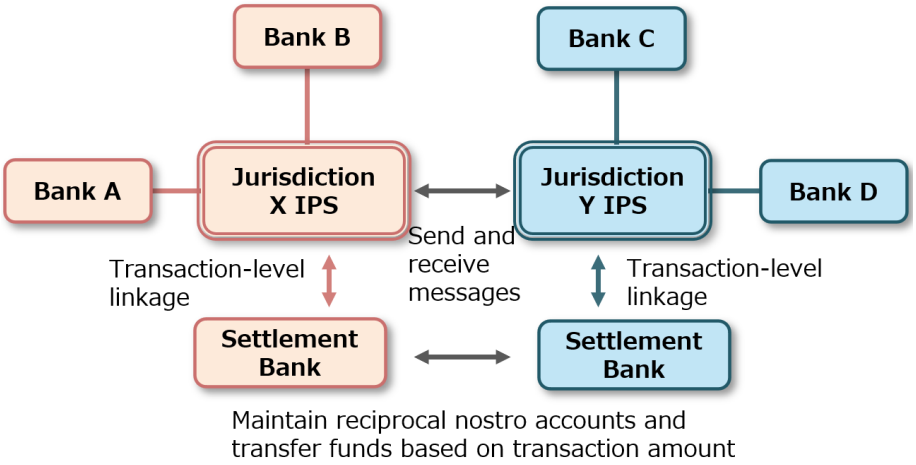
1.1.2 Initiatives for Improving Cross-border Payments through Interlinkage

As mentioned above, FPS primarily handle domestic transfers. However, some jurisdictions have enabled rapid cross-border payments by interlinking their FPS with those of other jurisdictions. Singapore has already established bilateral schemes for instant crediting of cross-border payments with Thailand, India, and Malaysia. However, due to AML/CFT (Anti-Money Laundering / Countering the Financing of Terrorism) considerations, these are limited to small-value transfers. Additionally, these schemes enable cross-border payments using mobile phone numbers and other aliases by utilizing a proxy database.

In cross-border payments conducted through FPS interlinking, settlement banks — typically correspondent banks with foreign exchange capabilities — are designated in each jurisdiction, similar to current SWIFT-based transfers. Domestic clearing is conducted between the settlement bank and individual banks, while cross-border clearing

is executed between settlement banks that maintain mutual nostro accounts[4] (see Figure 1-5).

[Figure 1-5: Schematic of Cross-border Payments through FPS Interlinkage]



In addition to bilateral links, multilateral initiatives have been implemented to interlink the FPS of three or more jurisdictions. For example, Nexus Global Payments, which originated as a BIS Innovation Hub project, is working to interlink the FPS of multiple jurisdictions to enable rapid cross-border payments. Six jurisdictions—Singapore, Thailand, India, Malaysia, the Philippines, and Indonesia—have already joined this initiative, and the European Central Bank participates as an observer.

In addition, Australia and the Eurozone have developed rules—such as standardized payment message fields—to enable FPS participants to use their domestic FPS for the domestic leg of cross-border payments.

1.1.3 Revision of FATF Recommendation 16

The Financial Action Task Force (FATF) has been advancing the revisions to regulatory frameworks related to payments in recent years, with the aim of ensuring transparency in international funds transfers and strengthening anti-money laundering measures. As part of these efforts, a second public consultation document on revisions to Recommendation 16 was published in February 2025, followed by the release of a revised version in June

[4] In some cases, the settlement banks in both jurisdictions may be the same bank.

of the same year.[5, 6] The compliance deadline is provisionally set for the end of 2030, though the timeline remains subject to revision.

The documents published in relation to the revisions to Recommendation 16, along with their respective outlines, are shown in Figure 1-6. With respect to the domestic transfers addressed in this report, the most significant impact arises from Priority Issue I, "Clarification of the start and end points of the payment chain and the obligations of each entity in light of changes in payment business models," which was proposed in the second public consultation document released in February 2025.

[Figure 1-6: Documents Published Toward the Revision of Recommendation 16 and Their Outlines]

Document	Summary
Recommendation 16	✓ The requirements specify the information on the originator and the beneficiary that must be transmitted from the ordering financial institution to the beneficiary financial institution in the context of wire transfers.
February 2024 Public Consultation	✓ In light of changes in the payments market structure—such as the emergence of new payment instruments, technologies, and market players—as well as the ongoing standardization of payment messaging formats (including the migration to ISO 20022), the FATF proposed revisions aimed at making cross-border payments faster, cheaper, more transparent, and more inclusive, while ensuring continued safety.
February 2025 Second Consultation	✓ Based on the outcomes of the 2024 public consultation, the proposal sought to avoid imposing undue burdens on the private sector while introducing new obligations for financial institutions to enhance safety and security. The key priority areas were as follows: [Priority Issue Ⅰ] Clarifying the starting and end points of payment transactions and the respective obligations of all parties, in light of evolving payment business models [Priority Issue Ⅱ] Improving the content and quality of originator and beneficiary information [Priority Issue Ⅲ] Reviewing the scope of Recommendation 16 as applied to card-based payments (credit, prepaid, and debit)
June 2025 Revised Recommendation 16	✓ Following the second round of public consultation, the revised version of Recommendation 16 has now been finalized.

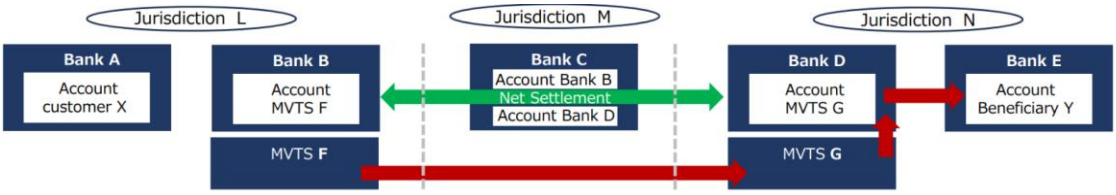
As a result of the revisions related to Priority Issue I, in the case of a cross-border payment from the account of customer (originator) X at Bank A to the account of beneficiary Y at Bank E in Figure 1-7, where a money or value transfer service (MVTS) provider is involved, the revisions designate MVTS provider F as the start point and Bank E as the end point of the payment chain (the route shown in red in Figure 1-7). Consequently, the transfer from the account of MVTS provider G at Bank D to beneficiary Y's account at Bank E — previously treated as a domestic funds transfer — will now be regarded as part of a cross-border payment, necessitating the development of

[5] FSA, "Publication Regarding the Revision of FATF Recommendation 16 on Payment Transparency", available at: https://www.fsa.go.jp/inter/fatf/20250619/20250619.html

[6] The purpose of Recommendation 16 is to prevent terrorists, criminals, and other illicit actors from freely using wire transfer mechanisms to move funds, and to ensure that the originator and beneficiary information is available to sending, intermediary, and receiving financial institutions and to financial intelligence units (FIUs) and law enforcement authorities, thereby facilitating fraud detection. It stipulates the originator and beneficiary information (e.g., name and account number) that the ordering institution must transmit to the beneficiary institution when conducting interbank transfers, and the obligations to be fulfilled by the sending, intermediary, and receiving financial institutions.

domestic infrastructure for transmitting originator and beneficiary information from Bank D to Bank E.

[Figure 1-7: Priority Issue I "Clarification of Start and End Points of Payments"]



(Source: JFSA materials, adapted and partially modified for translation purposes)

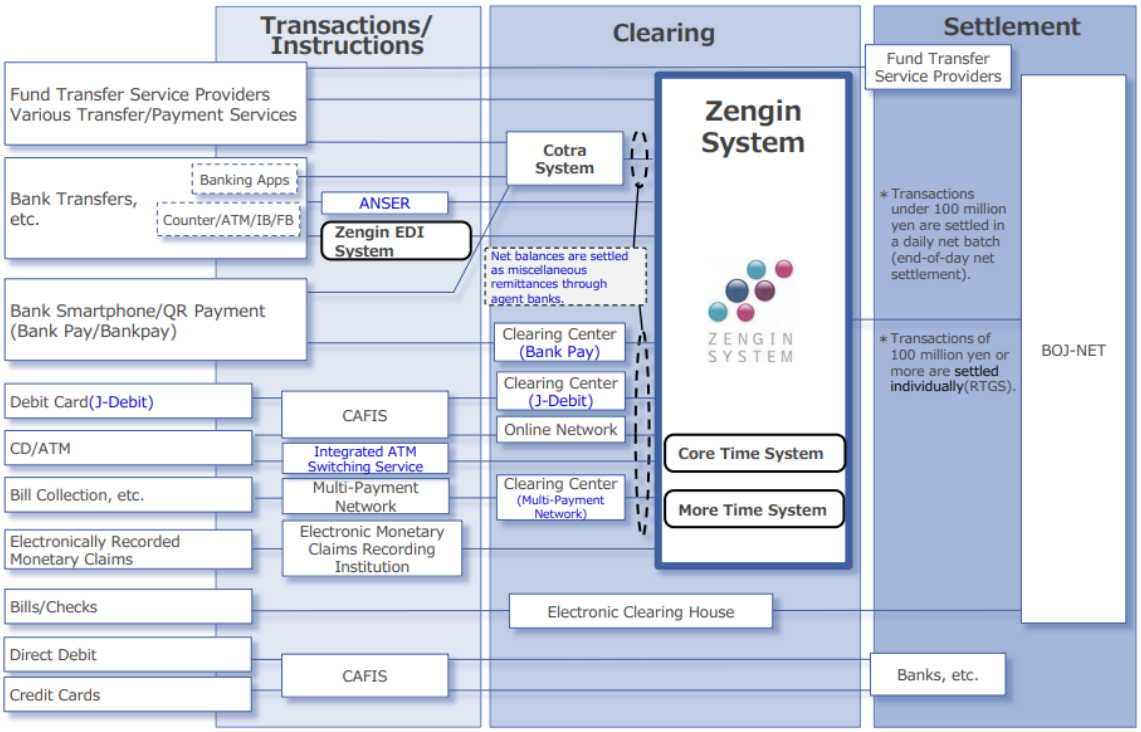
Regarding the current FATF Recommendation 16 requirements for maintaining originator information throughout the entire payment chain and verification by the beneficiary financial institution, overseas jurisdictions have been defining the regulatory treatment of cross-border payment chains through legislation, advancing ISO 20022 adoption in their payment systems, and establishing mechanisms for handling inquiries in cases of information gaps and name verification.

1.2 Challenges of Japan's Payment System

1.2.1 Current State of the Domestic Payment System

The current Zengin System serves as the core of Japan's payment system and has maintained a high level of safety and reliability as a domestic payment infrastructure since its launch in 1973. It connects virtually all deposit-taking financial institutions in Japan (1,071 institutions as of November 2025), including banks, shinkin banks (credit associations), credit cooperatives, labor banks (workers' credit unions), and agricultural cooperatives (JA Bank). In addition, it is connected to numerous ancillary clearing systems (subsystems) in the areas of transactions/instructions and funds clearing, as shown in Figure 1-8. Furthermore, participation eligibility was extended to fund transfer service providers in FY2022, and Zengin-Net onboarded its first fund transfer service provider in November 2025.

[Figure 1-8: Overview of the Domestic Payment Systems]



1.2.2 Challenges of the Zengin System

The current Zengin System faces structural constraints and sustainability challenges that have become apparent due to recent changes in the payment environment, the diversification of user needs, and rising demands for compliance with international standards and regulatory requirements. A major system outage involving the relay processor of the Zengin System in October 2023 brought these challenges into sharp relief.

Moreover, the emergence of new payment methods utilizing technologies such as stablecoins and tokenized deposits has further diversified user needs and increased the importance of maintaining international competitiveness. The current system lacks the capacity to respond flexibly to these changes. Looking at Japan's payment system as a whole, inefficiencies arising from the proliferation of ancillary clearing systems and peripheral systems are also recognized as a structural challenge.

[Figure 1-9: Challenges of the Current Zengin System]

Category	Challenges of the Current Zengin System
Difficulty in responding to new user needs	・While the Zengin System has achieved 24/7 transfers, instant crediting is not always realized, and constraints remain, such as the inability to confirm the crediting status. ・The system continues to rely on an outdated architecture,* making it impractical to introduce capabilities that are now standard overseas or to connect with overseas payment systems. Compared with the functions and architectural advancements that are standard in overseas FPS, a gap exists, which is likely to widen further. * For example, the system uses a unidirectional messaging protocol with no acknowledgment mechanism. ・As data cannot be appended to the message format, it is difficult to envision expanded data utilization (currently addressed through workarounds such as changes to account holder names). ・Connectivity with new services utilizing technologies such as stablecoins and tokenized deposits is also difficult to achieve under the current architecture, and the system does not serve as a foundational platform supporting the tokenization of various assets from a fund settlement perspective.
Declining continuity and stability due to legacy architecture	・In addition to the outdated architecture, the system's specifications and design have grown increasingly complex as a result of the cumulative feature additions and responses to regulatory and institutional changes. There are concerns that specialist skills transfer and talent development may face sustainability challenges in the future. ・The increasing complexity of the system's specifications and design can also prolong root-cause analysis and recovery times during outages.
Persistently high costs	・System upgrade and maintenance costs have risen as the system's design has become more complex. ・Since Confirmation of Payee is not mandatory, transfer errors occur, requiring staff resources to be allocated to handling and preparing for such errors. ・Multiple ancillary and peripheral systems exist, and each system imposes its own operational and maintenance overhead.

Category	Challenges of the Current Zengin System
Difficulty in responding to new regulations	・The system uses fixed-length text formats, and compliance with international messaging standards and regulations entails significant time and financial costs.

2. Rationale for Developing a New Payment System

As the operator of the Zengin System — the core of Japan's payment infrastructure — Zengin-Net must fundamentally resolve the current challenges facing the Zengin System and firmly commit to advancing infrastructure reform. The Future Vision SG members highlighted that "the current Zengin System lags behind leading global practices" and that "there are limits to what can be achieved through incremental modifications and functional enhancements to the current system." They further noted that "developing a new payment system, such as a real-time payment system, may be a more rational option as it could be more cost-effective, more flexible in responding to changes and more convenient for users." Accordingly, there was broad consensus on the need to develop a new payment system.

In FY2025, the Future Vision SG proceeded on the assumption that developing a new payment system — centered on real-time payment capabilities — could be the most rational path to comprehensively enhance safety, efficiency, and convenience, taking into account the international regulatory developments (including the revision of FATF Recommendation 16), the current state of Japan's payment infrastructure as a whole, and the challenges of the Zengin System described above.

2.1 Concept of the New Payment System

Based on the challenges outlined above, the concept of the New Payment System is presented in Figure 2-1.

Specifically, the envisioned objectives of the New Payment System are to "fundamentally resolve current challenges and establish a sustainable and competitive payment infrastructure for both users and participants" and to "serve as a foundational platform that contributes to future innovation and the strengthening of international competitiveness." Through these, the initiative aims to address the challenges facing Japan's payment system as a whole: (i) responding to new user needs, (ii) transitioning away from legacy architecture, (iii) reducing social costs, and (iv) ensuring compliance with international standards and regulations.

[Figure 2-1: Concept of the New Payment System]

Category	Content
Envisioned Objectives	・Fundamentally resolve current challenges and establish a sustainable and competitive payment infrastructure for both users and participants ・Serve as a foundational platform that contributes to future innovation and strengthen international competitiveness
Responding to new user needs	Progressively enable the following capabilities: ・Establish a real-time settlement system (including instant crediting and credit confirmation) available to a wide range of users at any time ・Flexibly implement additional functions such as mobile number-based transfers, Request to Pay, and QR code payments ・Promote interlinkages with overseas payment systems ・Serve as a connectivity platform for new services including stablecoins and tokenized deposits ・Serve as a foundation for data utilization through structured and enriched supplementary data
Transitioning away from legacy architecture	・Redesign the architecture and resolve design complexity to ensure continuity in skills transfer and talent development ・Strengthen resilience against potential failures
Reducing social costs	・Reduce system upgrade and maintenance costs by resolving design complexity ・Reduce financial institutions' compliance costs through mandatory Confirmation of Payee ・Alleviate the operational burden associated with maintaining and operating dispersed peripheral systems ・Address societal concerns, such as financial crime prevention
Compliance with international standards and regulations	・Align with international messaging standards (ISO 20022) and new regulations such as the revision to FATF Recommendation 16

2.2 Benefits of the New Payment System for Users and Participants

With the above concept in mind, the value (benefits) that the New Payment System can deliver to both corporate and individual users was examined. Figure 2-2 summarizes the

results across three dimensions — stability, efficiency, and convenience. As functions are implemented and the system is increasingly used as a platform, and the envisioned objectives set forth in the concept are achieved, benefits are expected to accrue to a wide range of users.

[Figure 2-2: Benefits of the New Payment System for Users]

Value	Individuals/Consumers	Sole Proprietors/SMEs	Large Enterprises
Stability	• Safety and security through Confirmation of Payee, payment status notifications, and fraud-prevention measures	• Safety and security through Confirmation of Payee, payment status notifications, and fraud-prevention measures (internal controls, improved efficiency in regulatory compliance)	• Safety and security through Confirmation of Payee, payment status notifications, and fraud-prevention measures (internal controls, improved efficiency in regulatory compliance)
Efficiency	• Simplified bill splitting and expense reimbursement through Request to Pay	• Improved efficiency in billing, reconciliation, and accounting efficiency through new functions and data utilization • Simplified funds settlement for overseas transactions	• Improved efficiency in global through 24/7 instant settlement
Convenience	• Realization and simplification of instant payments • Enhanced convenience for shopping through simple and speedy payment methods, such as QR code transfers • Seamless integration with various assets, including digital assets • Visualization, automation, and optimization of asset and household finance management through the use of additional data	• Providing diverse payment methods through QR code transfers and payment requests • Improved operational efficiency and enhanced customer management and marketing through the use of additional data	• New business creation and improved operational efficiency through digital assets, etc. • Improved operational efficiency and advanced CRM/marketing through the use of supplementary data

Furthermore, the benefits for financial institutions (participants) joining the New Payment System, presented across the same three value dimensions, are shown in Figure 2-3.

[Figure 2-3: Benefits of the New Payment System for Participants]

Value	Benefits	Notes
Stability	• Sustained and stable operation of payment infrastructure	• Review Zengin System dependency and rebuild a more sustainable system
	• Provision of stable fund transfer operations during failures	
Efficiency	• Review of Zengin System and APIGW requirements assuming the launch of New Payment System	• Limit further investment in Zengin System and APIGW
	• Improved operational efficiency and cost reduction for participants through new function implementation	• Reduce systems/personnel required for fund transfer processing
	• Improved operational efficiency and participant cost reduction through institutional/operational design assuming digital channels	• Transition to operations based on the New Payment System and achieve paperless operations
	• Cost reduction through the consolidation of peripheral systems	• Replace peripheral system functions with New Payment System functions
Convenience	• Enhanced feasibility of future new technology support, service expansion, and regulatory compliance	• Utilize the New Payment System as a foundation for payment innovation to respond to future changes in the payments landscape • Expand customer touchpoints and enhance financial service value through the New Payment System.
	• Enhanced connectivity with overseas payment networks	

3. Key Issues and Directions for Developing the New Payment System

Based on the domestic and international trends and challenges in Japan's payment system outlined in Chapter 1, the Future Vision SG defines the core approach regarding the role and scope of the New Payment System (the "Core Approach") as shown in Figure 3-1. As stated in Chapter 2, the Core Approach is to aim for fundamental resolution of current challenges through the New Payment System while maintaining the stability of the payment infrastructure and fostering early network effects and, ultimately, reducing social costs.

In Chapter 3, an overview of the key issues is provided based on this approach, followed by the directions for each individual issue based on discussions in the Future Vision SG.

[Figure 3-1: Core Approach regarding the strategic role of the New Payment System]

3.1 Overview of Key Issues

Development of the New Payment System requires careful consideration of a wide range of issues.

First, as outlined in the Core Approach, it is essential to clearly define the scope of domestic funds transfers to be covered by the New Payment System, including its future evolution. This is necessary to fundamentally resolve current challenges, ensure the stability of the payment infrastructure, and enable early reduction of social costs.

Second, the scope of new functions to be implemented must be defined. In particular, it is necessary to determine both the extent and timeline for implementing groups of functions that address user needs, such as Confirmation of Payee, payment status notifications, bidirectional communication, alias-based transfers, Request to Pay, and QR code transfer.

Third, the scope of peripheral services to be covered requires careful consideration. In particular, the relationship with ZEDI and current peripheral services (ancillary clearing systems) — including the Integrated ATM Switching Service, J-Debit, Multi-Payment Network, Cotra, and CAFIS — as shown in Figure 1-8, *Overview of the Domestic Payment Systems*, needs to be clarified.

Fourth, the approach to cross-border payments needs to be clarified, especially with respect to how compliance with the revised FATF Recommendation 16 requirements should be incorporated.

Fifth, regarding message formats, the approach to adopting ISO 20022 needs to be determined. The current system uses the Zengin format (a Japan-specific proprietary message format), and the adoption of ISO 20022 is expected to have a significant impact. In line with the Core Approach described above, measures must be considered that both advance the payment infrastructure and minimize the migration burden.

Sixth, from the perspective of development costs and other considerations, the choice of system development methodology is also important. Measures that achieve both efficiency and safety in development and operation need to be explored, including the feasibility of using package solutions, leveraging cloud services, and designing appropriate APIs.

Seventh, regarding the clearing and settlement framework, an examination is required to assess whether further enhancements in safety and efficiency can be achieved, drawing on international examples. This examination should take into account factors such as the types of transactions conducted among users and the arrangements for clearing and settlement among participants.

Eighth, the approach to emerging technologies also requires consideration — specifically, the extent to which flexibility should be built in to accommodate future technological innovations, including stablecoins and tokenized deposits, that are currently under development.

In the following section, the directions for each key issue outlined in Figure 3-2 are described, based on the discussions in the Future Vision SG.

[Figure 3-2: Key Issues for Developing the New Payment System]

	Issue
Key Issue 1	Scope of domestic funds transfers to be handled
Key Issue 2	New functions to be implemented
Key Issue 3	Scope of peripheral services to be addressed
Key Issue 4	Cross-border payment support (including FATF R16 compliance)
Key Issue 5	Feasibility and methods for ISO 20022 adoption
Key Issue 6	System development methodology
Key Issue 7	Fund clearing and settlement framework
Key Issue 8	Response to new technologies

3.2 Discussions and Directions for Each Key Issue

3.2.1 Scope of Domestic Funds Transfers to Be Covered

The main issue in this section is the scope of domestic funds transfers that the New Payment System should handle, given that it will coexist with the current Zengin System for at least the foreseeable future.

The New Payment System is intended to serve as a highly available, high-performance settlement platform enabling all users — both individuals and companies — to transact safely in real time, 24 hours a day, 365 days a year.

As for participants in the New Payment System, in line with the "Core Approach" described above — which states that "all financial institutions currently participating in the Domestic Funds Transfer System are expected to join the New Payment System within a certain period," — eligible participants are expected to include deposit-taking financial institutions and fund transfer service providers. This is consistent with the current eligibility criteria of the Zengin System.

To generate network effects from the outset of operations while ensuring flexibility and scalability, the scope of transactions to be handled at launch will be carefully defined to facilitate a smooth transition of the payment infrastructure and for participants and service providers.

Specifically, bulk file transfers, such as pension disbursements and dividend payments, will be excluded and will continue to be processed through the current Zengin System. This reflects the view expressed in the Future Vision SG that "bulk payments, including payroll and government transfers, carry significant social responsibility and therefore require careful consideration in coordination with relevant government ministries."

With respect to future-dated credit transfers, although their inclusion could increase the complexity of system development and liquidity management, the Future Vision SG expressed the view that "as with the current system, consideration should be given to handling them in the New Payment System as well." Based on this, further examination will be carried out from the perspectives of (i) trends in customer needs; (ii) the development effort and the risk of failure in the new payment system; (iii) processing burden that deferred transfers would impose on participating financial institutions; and (iv) liquidity management by participants. If future-dated credit transfers are excluded, they will be processed through the current Zengin System or, alternatively, through a scheduled transfer function within the new system.

In addition, the primary connection channel will be via EB (Electronic Banking, meaning non-face-to-face channels such as internet banking). Connection through all channels will not be mandatory, and participants may connect additional channels beyond EB at their discretion.

Furthermore, regarding the participation model, the Future Vision SG members highlighted that "to reduce the onboarding burden and achieve early network effects, 'receive-only participation' should also be an option, so that transfers can be made to as many financial institutions as possible." Accordingly, receive-only participation (i.e., the ability to accept incoming transfers without originating outbound transfers) will also be available in the initial phase.

Given the need for liquidity management and developments in payment systems in other jurisdictions, an upper limit will be set on user transfer amounts. The specific cap is expected to be below JPY 100 million, which is the threshold for large-value settlements in the current Zengin System, and will be determined through consensus among stakeholders following the Request for Information (RFI) and Request for Proposal (RFP) processes. The Future Vision SG members noted that, if the eventual full replacement of the Zengin System is envisaged, the cap should be set at a level sufficient to ensure user convenience. For reference, FedNow introduced an upper limit of USD 500,000 at launch in July 2023, which was raised to USD 1 million in June 2025 and to USD 10 million in November 2025. For the New Payment System, future increases in, or removal of, the transfer cap are also anticipated.

3.2.2 New Functions to Be Implemented

This section examines which functions should be implemented in the New Payment System, drawing on the target functionality identified through the user-value assessment. Based on the scope of domestic funds transfers discussed in Section 3.2.1, the implementation of new functions not available in the current Zengin System was considered from the perspectives of user convenience, operational efficiency, and enhanced safety. In this examination, views expressed in the Future Vision SG were also considered, including "the need to improve operational efficiency in rural areas where labor shortages are severe" and "the importance of selecting cost-conscious functions and considering phased migration and expansion."

The following describes the approach to implementing each function, reflecting the views expressed in the Future Vision SG.

(a) Confirmation of Payee

To reduce erroneous transfers, fraud risk and the associated costs for participating financial institutions, a mechanism will be introduced to verify the validity of the recipient account and the account holder name in real time prior to transfer. The New Payment System will mandate Confirmation of Payee for all transactions.[7] To accommodate bulk transfers, the system will support not only individual account verification but also batch account verification.

Confirmation of Payee is positioned as a key fraud-prevention measure, consistent with its role in overseas payment systems. Additional fraud-prevention measures beyond this function will also be explored through the RFI and other processes, with reference to initiatives adopted by overseas payment systems. In assessing feasibility, both cost efficiency and effectiveness will be considered, with the possible use of existing mechanisms and initiatives also under consideration.

(b) Payment Status Notification

A payment status notification function will be implemented to provide real-time notification of payment confirmation results upon transfer completion, thereby enhancing operational efficiency and providing assurance to both users and participants. This function also has potential applications in corporate fund management, potentially reducing the risk of unpaid or unprocessed transactions and contributing to Straight-Through Processing (STP) of operations. Planned notification methods include

[7] For example, SWIFT's "Payment Pre-validation API" is an API service that enables the sending bank to verify the receiving bank's account information at the earliest point in the payment chain and identify and correct payment issues in advance. One of its cited benefits is fraud prevention.

transmitting messages to the sending bank and storing notification data within the New Payment System for retrieval by the sending bank.

(c) Alias-based Transfer (e.g., mobile number-based transfers, email address-based transfers)

To enable alias-based transfers, the development of a proxy directory within the New Payment System is considered necessary.

The Future Vision SG concluded that "this warrants priority consideration given its significant user benefits." While additional information is being collected through the RFI process and other relevant processes, implementation is being treated as a working assumption, subject to validation of technical feasibility and assessment of development burden.

With a view to facilitating cross-border payments through FPS interlinking, Confirmation of Payee using Latin-script names may become necessary. By leveraging this directory, it would also be possible to store Latin-script name data within the New Payment System.

(d) QR Code Transfer / Request to Pay

While QR code transfers and Request to Pay have been implemented in many jurisdictions overseas, concerns about fraudulent use have also been raised. Therefore, in considering their adoption, priority should be given to institutional and framework considerations, particularly those related to fraud prevention. To minimize the initial burden on the New Payment System, participating financial institutions, and service providers, these functions will not be supported at launch. However, in line with the challenges identified above and the "Core Approach," future scalability shall be ensured.

In the Future Vision SG, the following views were expressed: "QR code transfers and Request to Pay are commonly used overseas, and implementing them would bring Japan in line with international practice. While careful consideration is necessary, these should be further explored" and "Store payments and QR code transfers are very important elements in retail payments. Given the need to articulate a long-term vision for the New Payment System, these should be incorporated into the scope of future discussions." These views will be considered in future examinations.

(e) Rich Data Storage

To support the structuring and enrichment of supplementary payment data, the development of rich data storage and related capabilities will also be considered.[8] This

[8] A database that stores the supplementary data elements of the ISO 20022-based messages, separately from the core funds transfer data. The proxy directory necessary for enabling alias-based transfers, as described above, retains only information needed to identify the transfer destination, and is therefore built separately from the rich data storage.

has the potential not only to reduce the operational burden on participating financial institutions, but also to meet the growing demand for data-driven services and to enhance fraud-prevention measures.

As a prerequisite for implementing the new functions listed in items (a) through (e) above, the New Payment System will adopt API-based bidirectional communication for messaging. This will enable real-time information exchange, including transaction status inquiries and immediate error responses for functions such as Confirmation of Payee and payment status notification. It will also enable the system to handle reverse-flow transactions required to support QR code transfers and Request to Pay. Furthermore, adopting an API-first design will enable the development of a platform with flexibility and scalability to support future service integration and the adoption of new technologies.

3.2.3 Scope of Peripheral Services to Be Addressed

The central issue in this section is the extent to which the functions of peripheral payment systems should be incorporated into the New Payment System.

As the Future Vision SG members observed, "if the functions of the proliferating peripheral payment systems can be incorporated into the New Payment System, this would contribute to the efficiency improvement and cost reduction of Japan's overall payment system." Accordingly, the New Payment System will be designed to integrate the functions of existing peripheral systems to the greatest extent possible, with the aim of achieving overall optimization and reducing operating costs.

(a) ZEDI

Zengin-Net will assess the future direction of ZEDI (Zengin Electronic Data Interchange System), including the possibility of its discontinuation, in light of the integration of its functions into the New Payment System. In conducting this assessment, consideration will also be given to the Future Vision SG's view that "the functions of ZEDI should be thoroughly discussed from the user's perspective, and continuation should not be assumed as a given."

(b) Confirmation of Payee Function

Under the current Zengin System-based credit transfers, the Confirmation of Payee function is provided through the Integrated ATM Switching Service, which is a proprietary service offered by NTT DATA, and its use is not mandatory but left to the discretion of individual financial institutions. Given the Future Vision SG's assessment that "the Confirmation of Payee function is not currently mandatory, causing inefficiencies," Confirmation of Payee will be incorporated as a core feature of the New Payment System.

This function will also be made available for use in credit transfers through the current Zengin System. Participants will also have the option of using the New Payment System's Confirmation of Payee function as an alternative to the existing service.

(c) Ancillary Clearing Function

By establishing interbank settlement messages within its framework, the New Payment System will also enable operators of the above-mentioned ancillary clearing systems to substitute their interbank settlements through the new system, at each operator's discretion. The methods of linkage to the New Payment System will accommodate two approaches: (i) linkage on a per-payment or a per-transfer basis, and (ii) linkage after netting multiple transactions, which requires the involvement of a settlement agent bank.

3.2.4 Cross-border Payment Support (Including FATF Recommendation 16 Compliance)

This section addresses the scope of cross-border payments to be supported by the New Payment System, including compliance with the revised FATF Recommendation 16 requirements, and whether participation should be optional for participants.

The categories of transfers to be handled by the New Payment System include, in addition to ordinary domestic funds transfers examined in Section 3.2.1, transfers that were previously treated as domestic funds transfers but will now be regarded as part of cross-border payments under the revised FATF Recommendation 16 requirements ("FATF R16 Compliance Transfers"), and other cross-border payments (hereinafter simply referred to as "cross-border payments"). The following outlines the proposed approach to FATF R16 Compliance Transfers and cross-border payments.

(a) FATF R16 Compliance Transfers

To ensure the stable operation of existing cross-border payment services, FATF R16 Compliance Transfers will be supported by the New Payment System to the greatest extent feasible. While support from the outset of operations is assumed, to achieve network effects, measures to reduce participants' compliance costs will be explored, considering domestic and international regulatory developments and compliance status.

For FATF R16 Compliance Transfers that cannot be supported by the New Payment System, processing through existing payment frameworks may be required. Accordingly, the Future Vision SG noted that discussions should proceed on the assumption that multiple payment frameworks may need to coexist. This issue will be considered in future examinations.

(b) Cross-border Payments

The Future Vision SG members emphasized the importance of engaging with multilateral FPS interlinking initiatives — particularly Project Nexus, which encompasses ASEAN, Europe, and India — in line with the objectives of the G20 Roadmap for Enhancing Cross-Border Payments. They also noted that Japan should take these developments into account when advancing regional linkages. In light of these views, the provision of new cross-border payment services utilizing the New Payment System will be examined with FPS interlinking, such as Project Nexus, in mind. While FPS interlinking is not necessarily assumed from the outset of operations, the system will be designed to ensure readiness for FPS interlinking. Through this approach, the goal is to significantly improve the convenience, transparency, and safety of cross-border payments.

For both FATF R16 Compliance Transfers and cross-border payments, given participants' actual transaction profiles, sending-side (originating) support will be optional. At the same time, measures to reduce participants' onboarding burden will be examined. On the receiving side, support for cross-border payments will also be optional. However, support for FATF R16 Compliance Transfers will be mandatory, as even financial institutions that do not offer international remittance services will still need to accept incoming transfers that are newly regarded as part of cross-border payments under the revised FATF Recommendation 16 requirements.[9]

Additionally, as significant implementation burdens on the system side are also anticipated, Zengin-Net will examine measures to reduce such burdens through the RFI and RFP processes.

3.2.5 Feasibility and Methods for ISO 20022 Adoption

While the adoption of ISO 20022 has the potential to enhance and streamline operations for both financial institutions and users, the implementation burden is also substantial. Specifically, not only financial institutions but also corporate clients are likely to need to modify their internal systems, including integrated core business systems and accounting systems, and review business processes in response to changes in transfer message formats. In this context, the key issue is what measures, such as the provision of a conversion function by the New Payment System, can be considered to reduce the migration burden on participants.

The New Payment System will adopt an ISO 20022-based message format in anticipation of cross-border payments and compliance with the revised FATF Recommendation 16 requirements. In line with the "Core Approach" and with a view to reducing participants' migration burden, the Zengin format may also be retained for transactions between

[9] For participants where FATF R16 Compliance Transfers may occur, regulatory compliance remains mandatory.

service providers and banks, taking into account that some service providers' systems generate transfer data in the Zengin format, provided that this does not undermine the New Payment System's envisioned role as "a foundational platform that contributes to future innovation and the strengthening of international competitiveness."

In addition, efforts will be made to minimize the need for development on participants' core banking systems by addressing relevant requirements within the New Payment System.

As measures on the New Payment System side, in addition to providing connection support tools such as software development kits (SDKs), providing a conversion function and routing function as illustrated in Figure 3-3 is also under consideration. Specifically, these measures may include conversion from the Zengin format to the ISO 20022-based message format, extraction of funds-transfer-related data from ISO 20022 messages, and the implementation of functions that automatically select the optimal processing path based on message type and other relevant factors. The details, including judgments on the feasibility of these measures, will be determined through the RFI and RFP processes, after confirming the message content and applicable business requirements.

[Figure 3-3: Examples of Participant Connection Support Measures (Assumed)]

Support Measure	Overview	Implementation Examples
Mapping	• Sending banks convert the format • The New Payment System establishes mapping rules • In some cases, test environments are also provided to verify each bank's compliance with those rules	• Provided by many operators including Swift (MyStandards Readiness Portal), Fed (DIT2), T2(UTEST) and CHAPS (RTGS Renewal Testing Environment)
Conversion	• The New Payment System converts the format	• Swift: On the Swift network (FINplus), automatic conversion service (In-flow Translation) is provided. FINplus automatically converts ISO 20022 (MX) messages into MT format based on recipient settings, and simultaneously receive messages in both formats (MX and MT), (Swift also provides products that enable participant-side conversion). • In India, a converter is provided during the transition period to transform legacy messages into ISO 20022 format until all banks fully migrate to the new standards. • In some cases, conversion is applied only to certain items (e.g., structured addresses).
Routing	• Routing is not processed on the participant system side but is centrally processed by the New Payment System	–

As shown in Figure 3-4, for transfer requests from service providers to financial institutions (customer transfer requests), it is essential to enable the handling of ISO 20022-based variable-length messages. For other interbank messages such as payment status notifications, however, given that payment systems in other jurisdictions do not necessarily support the latest standards, selective adoption upon version updates will also be permitted, provided that the exchange of rich data can be ensured. In particular, to

minimize the connection burden, the use of existing formats will remain an option for messages that interface with core banking systems.

For cross-border payments, given that the framework assumes FPS interlinking, the message format will conform to the applicable interlinking standard.

[Figure 3-4: Scope of ISO 20022 Adoption (Assumed)]

[ISO 20022 Adoption Scope (Assumed)]

	ISO 20022 Compliance	Approach
Account Verification Inquiry	Not mandatory	Review needed only for FPS interlinking (Conversion may provide a possible solution)
Account Verification Result	Not mandatory	Review needed only for FPS interlinking (Conversion may provide a possible solution)
Customer Credit Transfer	Mandatory	System platform enabling rich data attachment by customers is required (For transfers not requiring rich data, the use of Zengin Format use is also an option)
Interbank Credit Transfer	Not mandatory	ISO 20022 compliance is not mandatory, provided that rich data exchange is supported (storage required)
Payment Status Notification	Not mandatory	ISO 20022 compliance is not mandatory, provided that rich data exchange is supported (storage required)

3.2.6 System Development Methodology

Regarding the system development methodology, the key issues are whether packaged solutions can be an option, and what architecture (e.g., on-premises or cloud-based) and interfaces (e.g., APIs) should be adopted.

(a) Feasibility of Using Packaged Systems

Given that there are examples of FPS development utilizing packaged systems in other jurisdictions, an assessment was conducted to determine whether this could also be an option for the New Payment System.

On the use of packages, the Future Vision SG members expressed views such as “it is important to obtain information from multiple vendors rather than narrowing down to a single vendor at an early stage, in light of the strengths and weaknesses of each vendor.” Members also cautioned that “when negotiating with overseas vendors through domestic vendors, there is a risk that intentions may not be conveyed properly, leading to increased unnecessary customization costs.” Therefore, while fully recognizing both the potential advantages of rapid and cost-effective development and the associated risks and considerations noted above, the process will be based on direct engagement with multiple vendors, with packaged solutions treated as one of several viable options.

The principal risks associated with the use of packaged systems are vendor lock-in and opacity (i.e., lack of transparency regarding system internals). These pose challenges from the perspectives of business continuity, governance, and future adaptability. Accordingly, countermeasures will be taken for each perspective as shown in Figure 3-5.

[Figure 3-5: Risks and Countermeasures for Vendor Lock-In and Opacity]

Perspective	Anticipated Risks	Anticipated Countermeasures
Business continuity	· Reduced maintainability and operability, potentially leading to lower business resilience.	· Request disclosure of technical information related to packaged systems from the vendor. · Develop in-house technical expertise. · Develop contingency plans and exit strategies in the event of vendor withdrawal or bankruptcy.
Governance	· The vendor retains control over functionality and operations, potentially resulting in an environment optimized for a single vendor. · Under such conditions, integration with other products and standardization may become difficult, and additional operational and development burdens are likely to arise.	· The IT department should be involved from the design stage and maintain oversight through regular reviews.
Future adaptability	· There is a risk of future price increases and reduced negotiating power. · Software that is highly effective at present may not necessarily be optimal in the future, raising concerns about stagnation in innovation and limited options.	· Determine appropriate contract terms with the vendor. · Maintain a competitive environment by using multiple vendors. · Utilize Open Source Software (OSS) and assess standardization trends.

When evaluating overseas packaged-solution vendors as candidates, it is also important to confirm maintenance costs and emergency response arrangements. The Future Vision SG members also observed that "from the perspectives of security and economic security, close attention should be given to the locations of data centers established by packaged-solution vendors." With respect to economic security considerations (i.e., supply chain resilience and data sovereignty), coordination with relevant authorities will be undertaken as appropriate.

While packaged solutions may offer the advantage of rapid and cost-effective system development by shortening the development period and containing development costs, given the multiple considerations noted above, both bespoke development and packaged solutions will be included as options when issuing the RFI and RFP.

When issuing the RFI and RFP, the scope will cover not only the New Payment System itself, but also mechanisms that facilitate the connectivity between bank systems and the

new system. For example, it is desirable for the new system to provide a common testing environment for participants, and through the provision of an experimentation environment that promotes innovation, to facilitate connectivity with new technologies.

Given the importance of the New Payment System as a core domestic payment infrastructure, a high level of security and resilience shall be prioritized in its design. Due consideration must also be given to social and policy imperatives such as AML/CFT and financial crime prevention.

The Future Vision SG members also noted that "an approach under which packaged solutions are used for the broadest common set of core functions, while using add-on development for Japan-specific functions, could also be effective."

According to publicly available materials and other sources from major packaged-solution vendors that Zengin-Net has engaged with, all of them provide basic FPS functions, including Request to Pay, based on bidirectional communication and ISO 20022, overlay services such as proxy databases (e.g., alias-based transfer via mobile phone numbers), and conversion functions between legacy formats and ISO 20022, and support deployment in either cloud-based or on-premises environments. However, detailed confirmation through the RFI and other processes is needed, not only in terms of whether the vendor's solution supports the new functions of the New Payment System, but also whether it can process Japan's current transaction volumes at scale.

(b) Architecture (e.g., On-Premises or Cloud-based) and Interfaces (e.g., APIs)

The system architecture will leverage cloud services to maximize system flexibility, scalability, and operational efficiency, with hybrid on-premises or cloud-based configurations available as needed. In this process, emphasis will be placed on the use of packaged solutions, resilience design, zero-trust security, and related considerations. On the interface side, standard message formats (ISO 20022), API specifications, and connectivity options —such as VPNs (Virtual Private Networks) and internet-based connectivity— will be clearly defined to ensure future scalability and ease of linkage with other systems.

Additionally, as a measure to reduce the risk of system failures, leveraging AI to enhance operational system monitoring and failure prediction is also under consideration.

3.2.7 Clearing and Settlement

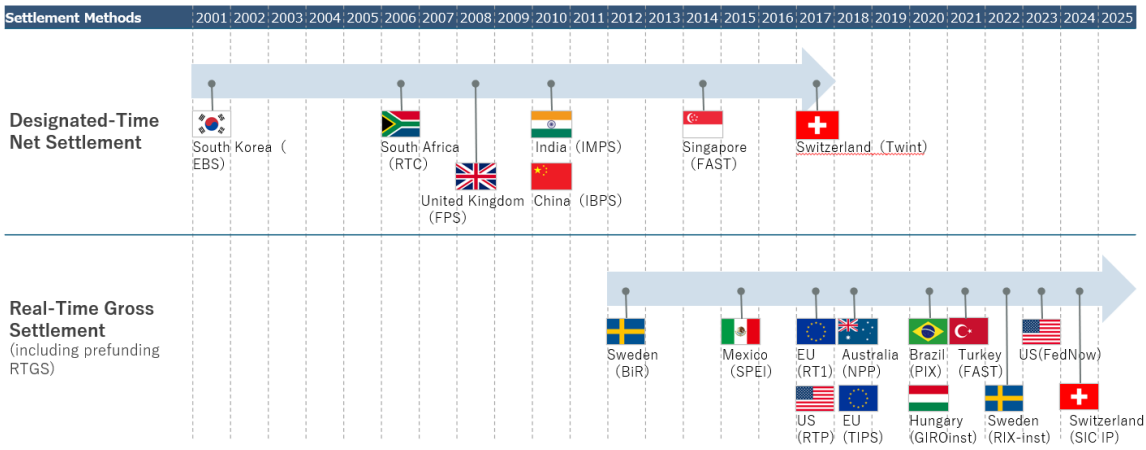
The main issue in this section is the optimal clearing and settlement model to further improve safety and efficiency.

First, with respect to the current mechanism, the current Zengin System employs a Designated-Time Net Settlement (DNS) method for settlements below JPY 100 million per transaction. For large-value payments of JPY 100 million or more per transaction, Real-Time Gross Settlement (RTGS) is employed through BOJ-NET, operated by the

Bank of Japan, under which each payment is settled in real time by debiting and crediting the respective current accounts held by the sending and receiving banks at the Bank of Japan.

Turning to clearing and settlement mechanisms in FPS in other jurisdictions, DNS was the predominant model from the early 2000s through the 2010s. In recent years, however, RTGS adoption has accelerated in the United States, Eurozone, Australia, and other jurisdictions, reflecting improvements in central bank system processing capacity and in the associated credit risk mitigation (Figure 3-6).

[Figure 3-6: Clearing and Settlement Mechanisms in Other Jurisdictions]



Among the jurisdictions that have adopted RTGS shown in Figure 3-6, some FPS employ prefunding RTGS methods.[10] Under this approach, rather than debiting and crediting participating institutions' actual central bank current accounts on a transaction-by-transaction basis, the FPS operator maintains a ledger of virtual accounts, within which funds are posted for each transaction.

Figure 3-7 illustrates the transaction processing flow under the prefunding RTGS method used in the U.S. RTP system, showing how individual transactions are settled in real time within the limits of prefunded balances.

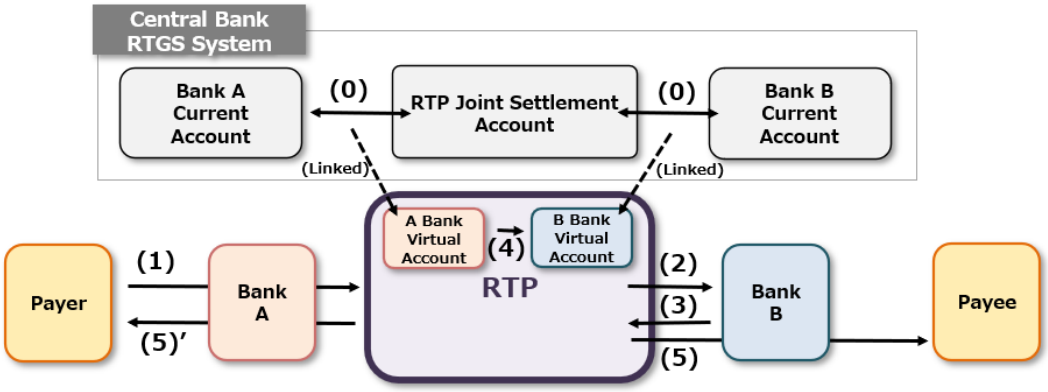
For the New Payment System, which is designed to operate on a 24/7 basis, the clearing and settlement framework will be examined with reference to alternative settlement methods such as the prefunding RTGS approach, while balancing settlement certainty and feasibility.

In doing so, taking into account the view that "the prefunding RTGS method encompasses diverse patterns, and legal, regulatory compliance, and system requirements

[10] Under the prefunding RTGS method, even if the central bank's RTGS system does not operate on a 24/7 basis, transactions can continue to be processed in the FPS on a 24/7 basis.

may pose challenges," concrete discussions will be advanced with the relevant authorities, including the Bank of Japan, the Financial Services Agency of Japan, and other stakeholders, with due consideration given to institutional and system related issues as well as the potential impact on the operations of financial institutions.

[Figure 3-7: Prefunding RTGS Scheme in U.S. RTP]



0. (Pre-funding) RTP participating banks deposit settlement funds into the RTP Joint Settlement Account at the Federal Reserve (and withdraw unnecessary balances). Within RTP, The Clearing House (TCH) manages the amount each bank has deposited as Virtual Accounts.
1. Based on the Payer's request, Bank A sends a message to RTP.
2. RTP sends Bank B a crediting feasibility inquiry.
3. Bank B responds to RTP on crediting feasibility. If crediting is not possible, RTP notifies Bank A and the process ends.
4. If crediting is possible, the balance in Bank A's Virtual Account is debited and Bank B's Virtual Account is credited (if Bank A's Virtual Account has insufficient balance, the transaction cannot be processed).
   *At this stage, RTP does not connect to the Central Bank RTGS system; RTP only manages balances within Virtual Accounts internally.
5. RTP notifies Bank A and Bank B of settlement completion and Bank B credits Payee's account. Bank A also notifies Payer (step 5').

3.2.8 Response to New Technologies

The key issue in this section is whether scalability for new technologies, such as stablecoins and tokenized deposits, can be ensured. In anticipation of further developments in Distributed Ledger Technology (DLT) and tokenization of deposits, the following basic policy is adopted for responding to new technologies, such as stablecoins and tokenized deposits, taking into account the discussions in the Future Vision SG and overseas practices.

(a) Stablecoins

Stablecoins are digital assets designed to maintain value stability through reserve assets such as fiat currency, and non-bank entities can also act as issuers. The use of stablecoins as a payment instrument on decentralized networks and within the broader digital economy may expand in the future.

Although the functions of issuance, exchange/distribution, and redemption are not currently being considered for inclusion in the New Payment System itself, connectivity with external systems — such as those operated by stablecoin issuers — will be supported to facilitate issuance and redemption as needed. This will enable flexible connectivity in response to regulatory requirements and market developments. The Future Vision SG argued that "while there is no objection to the New Payment System itself not issuing stablecoins, it would be premature to rule out the possibility that Zengin-Net, as a public utility, may issue them in the future."

(b) Tokenized Deposits

Tokenized deposits are a form of digital money in which banks issue deposit claims as digital tokens, offering transparency regarding issuer identity and reserve backing, as well as the legal certainty inherent in deposit products. Furthermore, given their bearer-instrument characteristics, they are expected to function as a payment method with real-time settlement capability.

Given these characteristics, if tokenized deposits become widespread in the future, a common platform may become necessary to ensure interoperability between banks and facilitate smooth exchange and transfer.

While the functions of issuance and redemption are not currently being considered for inclusion in the New Payment System itself, scalability will be ensured through a system design that supports flexible message development and modification, thereby accommodating the exchange of tokenized deposits between different banks.

As stated above, the design policy ensures scalability for these new technologies, and the mechanisms for facilitating connectivity with new technologies will be determined through the RFI and RFP processes.

The Future Vision SG members expressed views including: "When innovative functions become commoditized, their positioning should shift from the competitive sphere (services differentiated by individual institutions) to the collaborative sphere (shared utility infrastructure), and they should then be designated as standard functions subject to burden-reduction measures. A governance mechanism for regular review of the boundary between the competitive and collaborative spheres is important. A framework for ongoing discussions should also be considered in the Core Concept" and "Consideration should be given in advance to how to connect to and respond when new payment networks—not limited to those between banks—emerge, beyond stablecoins and tokenized deposits."

Members also observed that "given the domestic and international progress in the tokenization of financial assets, the New Payment System is expected to play a certain role as a platform that reliably supports the distribution of these assets from a fund settlement perspective." Considering these views, it is important to adopt an architecture

with scalability to ensure that the New Payment System can continue to function as a common platform for smooth funds transfers in a future in which new technologies have become widespread and the tokenization of financial assets has progressed.

In addition, the Bank of Japan is undertaking a sandbox project to advance technical experimentation on the use of central bank money for a wide range of settlements on blockchains. Zengin-Net will continue the necessary examinations in coordination with the Bank of Japan, as appropriate.

3.3 Overall Flow of the New Payment System

Based on the key issues outlined in Section 3.2, the New Payment System will be designed as a next-generation payment platform that resolves the challenges of the current system while ensuring future scalability. The current assumptions regarding the transfer flow are outlined below, together with the design principles underpinning this flow (all elements described below are preliminary and subject to revision through the subsequent RFI and RFP processes).

Transfer Flow Overview

(a) Receipt of Transfer Instructions

The system utilizes existing channels while reducing participants' onboarding costs through flexible message design. At the initial stage of operations, the scope of transactions will be narrowed down, with bulk file transfers and similar transactions continuing to be processed through the current system.

(b) Pre-Transfer Information Verification

The system performs real-time verification of the validity of the recipient account and the account holder name prior to transfer, as a measure to prevent fraud and erroneous transfers. Alias-based transfers (e.g., transfers using mobile phone numbers) will also be supported using a proxy database.

(c) Message Processing and Bidirectional Communication

API-based bidirectional communication enables real-time transaction status queries and error responses. Credit confirmation notifications are built in as a standard feature, contributing to users' funds management and the automation of settlement operations.

(d) Crediting

The receiving bank credits the payee's account immediately (instant crediting). The New Payment System provides transaction history and notification information via API.

Design Principles

(a) Balancing Convenience and Safety

Confirmation of Payee will be mandatory for all transactions to prevent erroneous transfers and fraud. Credit confirmation notifications will reduce the operational burden on participants and provide assurance to users. Given its importance as a domestic payment infrastructure, robust security and resilience are ensured, strengthening defenses against cyberattacks and other threats.

(b) Operational Efficiency

API-based bidirectional communication enables real-time transaction status queries and error handling. This capability supports corporate fund management and STP by promoting settlement automation. It also enhances participants' operational efficiency by reducing the burden of inquiry handling and error processing.

(c) Flexible Structure

The system design conforms to international standards (ISO 20022), while maintaining compatibility with existing formats. Message design prioritizes scalability, thereby facilitating cross-border payments and regulatory compliance.

(d) Ensuring Scalability

An API-first design facilitates connectivity with new technologies, such as stablecoins and tokenized deposits. The system will be structured to adapt to future institutional changes and the introduction of additional functions with minimal modification. With a view to enabling AI-powered fraud detection — including autonomous AI-agent-based monitoring — and automated settlement processing, an API-first design will provide a platform capable of supporting advanced service expansion.

(e) Cross-border Payments and Regulatory Compliance

The system assumes compliance with the revised FATF Recommendation 16 requirements, with required information appended to messages. Cross-border payments are designed with FPS interlinking, including initiatives such as Project Nexus, in mind.

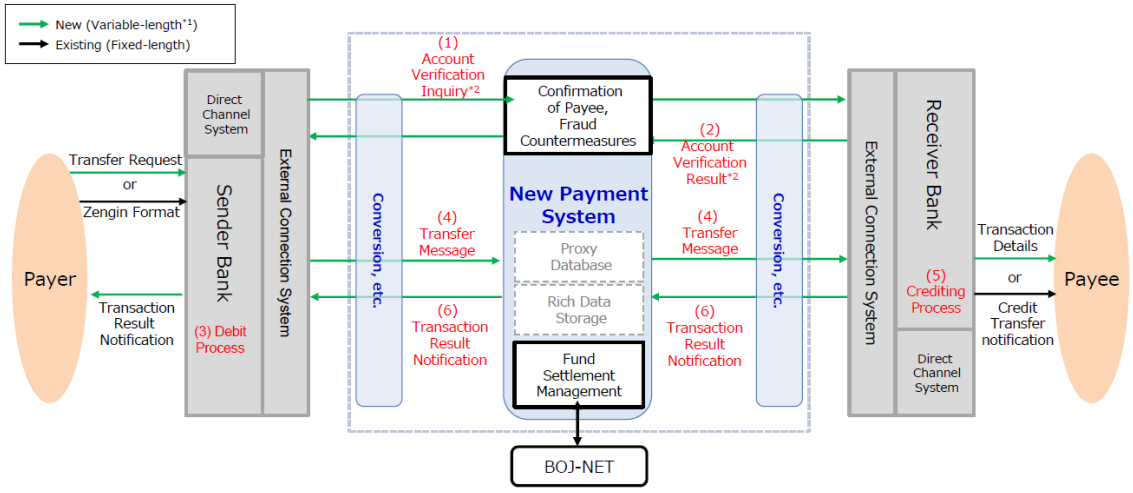
(f) Optimization of Development and Operations

Cloud deployment ensures flexibility, resilience, and operational efficiency. Both bespoke development and the use of packaged solutions are considered as options, with the selection of development methodology emphasizing governance, security, and economic security (i.e., supply chain resilience and data sovereignty), in addition to conformance with requirements. Robust defenses and high resilience are ensured in line with the latest developments in cybersecurity, thereby mitigating the risk of critical failures and service disruptions. AI is utilized to enhance operational monitoring and failure prediction, thereby reducing the risk of system failures.

(g) Reducing Participant Burden

Conversion functions and SDKs are provided to ensure compatibility with existing formats. Migration costs are minimized through the provision of connection support tools and routing functions.

[Figure 3-8: Overall Flow of the New Payment System (Assumed)]



*1: Items compliant with ISO 20022 are assumed
*2: Reuse of existing account verification formats may also be an option
*3: Balance management for participating financial institutions to be examined considering the clearing and settlement framework

4. Future Actions

4.1 Preparation and Schedule Toward Launch

The New Payment System is scheduled for launch in FY2030, taking into account the renewal timing of related systems, compliance with the revised FATF Recommendation 16 requirements, and anticipated enhancements in cross-border payments through FPS interlinking, including initiatives such as Project Nexus. To this end, an RFI and an RFP will be issued in FY2026 to advance the definition of requirements and the identification of regulatory and institutional issues, with the aim of reaching a go/no-go decision on development of the New Payment System by the end of FY2026. Furthermore, subject to a "go" decision (this assumption applies to all descriptions relating to FY2027 onward), specifications will be presented as early as possible in FY2027 to facilitate participants' connection preparations.

The priority tasks for FY2026 are as follows: issuing the RFI in the first half (H1) of FY2026 to identify requirements and issues; evaluating the RFP responses in the second half (H2) of FY2026; and reaching a go/no-go decision and completing vendor selection by end-FY2026. A Proof of Concept (PoC) will be conducted as necessary to verify the validity of the development approach and its conformity with resilience and security requirements, thereby supplementing the methodology selection process. Additionally, participant migration support measures, such as conversion, routing and SDKs, will be specified. To ensure predictability for member banks and support the smooth execution of each bank's renewal plans and connection preparations, specifications will be disclosed at an early stage.

4.2 Relationship with the Current Zengin System and Future Roadmap

For the time being, coexistence with the current Zengin System is assumed. However, given the importance of generating network effects at an early stage to reduce social costs, the coexistence period should be minimized. Accordingly, at the time of the current Zengin System renewal in FY2038, options such as scaling down the Zengin System or consolidating it into the New Payment System will also be considered as part of role allocation between the two systems.

Once the roles are finalized, the New Payment System will prioritize real-time processing and user convenience, consolidate telegraphic transfer operations, and serve as the primary channel to meet new user needs and regulatory requirements. With respect to public-sector payments, such as government disbursements, the approach will be examined among various options.

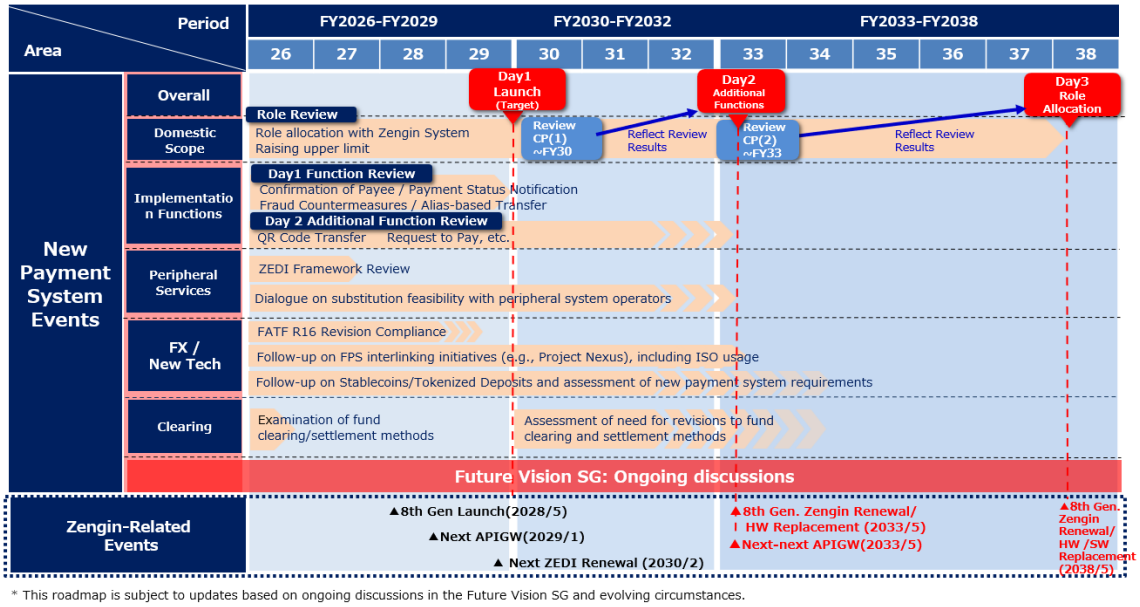
Given the significant modification burden and business impact on member banks, the complete migration of telegraphic transfer functions will require a detailed schedule and adequate lead times. Additionally, as the decision on whether to scale down the current

Zengin System or consolidate it into the New Payment System will depend on post-launch operational performance and the FY2038 renewal deadline, a checkpoint will be established in FY2033 to conduct this examination.

As shown in the future roadmap (see Figure 4-1), the review of additional functionalities and regulatory adaptations will continue toward FY2038. In particular, the following will be further explored through discussions in the Future Vision SG: post-launch ("Day 2") additional functions — such as QR code transfers and Request to Pay — targeted for around FY2033; FPS interlinking initiatives, such as Project Nexus; and the need to accommodate stablecoins and tokenized deposits.

The schedule described in the preceding section and the roadmap presented in this section are subject to review, as needed, through ongoing discussions in the Future Vision SG and other relevant forums, to respond flexibly to changes in the external environment.

[Figure 4-1: Future Roadmap]



* This roadmap is subject to updates based on ongoing discussions in the Future Vision SG and evolving circumstances.

4.3 Establishment of a Review Framework

Zengin-Net will establish a cross-functional project management structure spanning institutional, technical, and operational domains, with plans to create a dedicated organizational unit. This structure will enable the smooth execution of the RFI and RFP scheduled for FY2026, the definition and formulation of system requirements, and the design of the institutional framework.

Furthermore, to strategically draw on external expertise, the Zengin-Net Expert Panel will be repositioned as an advisory board, and its policy evaluation and advisory functions will be strengthened.

In addition, the Future Vision SG will continue to serve as a forum for systematic deliberation on themes identified in the future roadmap, and for wide-ranging discussions on the future of Japan's payment system.

Conclusion

The directions presented in this report represent not merely a plan, but an actionable framework for realizing the future vision of Japan's payment system.

The payments landscape is expected to undergo further significant changes as a result of technological innovation, the evolution of international standards, and the diversification of user needs. To respond flexibly and swiftly to such changes, it is essential for stakeholders to share a common understanding and work collaboratively.

By steadily advancing the initiatives presented in this report, Japan's payment infrastructure is expected to enter a new phase from 2030 onward — one characterized by enhanced safety, efficiency, convenience, and international competitiveness. Furthermore, such evolution will not only provide users with a more convenient and secure payments experience but will also contribute to strengthening the foundations of Japan's financial system and broader economy.

This report represents the first step toward realizing that vision.

End