



# Study on Developing the "New Payment System"

- ✓ The Zengin System, which has long underpinned Japan's economic activities, **has been in operation for over 50 years**. A number of challenges have become increasingly apparent, including the need to respond to evolving user demands, transition away from legacy systems, reduce persistently high costs, and ensure compliance with international standards and regulations.
- ✓ Rather than relying on partial modifications or functional enhancements to the existing Zengin System, **there is a clear need to pursue the development of a sustainable and competitive "New Payment System" that can fundamentally address these challenges.**

## 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 the strengthening of international competitiveness**

## Concept Overview of the "New Payment System"

<p>Feature 1</p>	<p>Responding to New User Needs</p> <p><b>Details on p.2</b></p>	<ul style="list-style-type: none"> <li>• New user needs will be addressed in phases:                             <ul style="list-style-type: none"> <li>✓ A real-time payment system accessible to a wide range of users (instant crediting, credit confirmation)</li> <li>✓ Flexible implementation of additional features (mobile number-based transfers, Request to Pay, QR-based transfers, etc.)</li> <li>✓ Interlinkage with overseas payment systems</li> <li>✓ Integration with new services* *Including stablecoins and tokenized deposits</li> <li>✓ Enhanced operational efficiency and data utilization through data structuring and enrichment</li> </ul> </li> </ul>
<p>Feature 2</p>	<p>Transition Away from Legacy Architecture</p>	<ul style="list-style-type: none"> <li>• Redesign system architecture and reduce design complexity:                             <ul style="list-style-type: none"> <li>✓ Ensure continuity of skills transfer and talent development</li> <li>✓ Strengthen resilience against system failures</li> </ul> </li> </ul>
<p>Feature 3</p>	<p>Reducing Social Costs</p>	<ul style="list-style-type: none"> <li>• Resolve complexity and reduce system upgrade and maintenance costs:</li> <li>• Reduce compliance costs for financial institutions and alleviate the burden of maintaining and operating dispersed peripheral systems</li> <li>• Address public welfare challenges, such as financial crime prevention</li> </ul>
<p>Feature 4</p>	<p>Ensuring Compliance with International Standards and Regulations</p>	<ul style="list-style-type: none"> <li>• Enable compliance with international standards for remittance messages (ISO 20022) and emerging regulations E.g.: Strengthened AML regulations (FATF Recommendation 16 Revision), G20 Cross-Border Payments Roadmap</li> </ul>

## Current Challenges

- While 24/7/365 transfers have been achieved, instant crediting faces some constraints, with no credit confirmation function
- Due to design complexity arising from legacy architecture, the introduction of new features and Interlinkage with overseas payment systems are practically infeasible. Diverging from international trends (gap may further widen)
- Limited prospects for expanding data utilization and integration with new technologies such as stablecoins
- An outdated architecture, with increasingly complex design resulting from cumulative feature additions and compliance-related requirements
- Escalating system upgrade and maintenance costs stemming from architectural complexity
- Rising compliance costs due to a design that relies on manual processes
- Proliferation of subsystems and peripheral systems
- Significant time and financial resources needed to meet international standards and regulatory requirements



# Value Proposition of the "New Payment System" (Future Outlook)

- ✓ If the new payment system concept is realized, **real-time processing and risk mitigation in payment transactions** are expected. In the future, the system is also envisioned to **enable cross-border remittances** through interlinkage with overseas payment systems. Additionally, **the flexible implementation of additional features** will enhance user convenience.
- ✓ It will also **serve as a foundational platform for data utilization by users and integration with new technologies**.
- ✓ The aim is to implement these functions and foundational roles while ensuring robust security and resilience, in a manner that reduces social costs.

## Functions

### (At Initial Launch)

#### Real-Time Processing

- ✓ Establishing a broadly accessible real-time payment system (instant crediting, credit confirmation)
- ✓ Enhancing Global payment efficiency through 24/7/365 instant settlement aligned with international standards

#### Risk Mitigation

- ✓ Ensuring safety and security through measures such as Confirmation of Payee, credit confirmation and fraud prevention
- ✓ Embedding AML information through data structuring and enrichment

### (For Future Consideration)

#### Expansion into International Remittances

- ✓ Interlinkage with overseas real-time payment systems (FPS Interlink\*)
  - ※ E.g.: Project Nexus, which aims to Interlink domestic real-time payment systems across Asian countries.

#### Implementation of Additional Features

- ✓ Providing diverse, convenient payment methods such as QR code transfers and Request to Pay

## Infrastructure

#### Data Enrichment and Utilization

- ✓ Contributing to automation and optimization of asset and household budget management, business efficiency, and advanced customer management and marketing

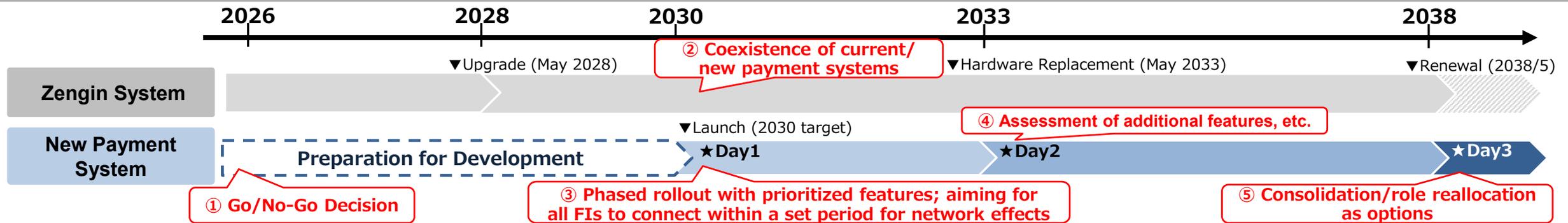
#### Integration with New Technologies

- ✓ Seamlessly integrating with digital payment instruments and assets, such as stablecoins and tokenized deposits



# Study Framework and Roadmap for the "New Payment System"

- ✓ The "New Payment System" is targeted for launch in 2030, with a go/no-go decision on development scheduled within FY2026.
- ✓ Initially, the new payment system is expected to coexist with the current Zengin System. Efforts will focus on achieving the envisioned objectives by fostering early network effects, while conducting phased reviews of role allocation between the two systems and evaluating potential additional features.
- ✓ Study details and the roadmap will be revised as needed to respond flexibly to changes in the external environment.



- ① • FY2026: **Advance study of specific requirements and system design. Aim for a go/no-go decision on the "New Payment System".**
- ② • From the perspective of payment infrastructure stability, at minimum, **coexistence with the current Zengin System is assumed for the time being**. No changes will be made, in principle, to the current Zengin System at the time of the new system's launch. However, **in the future, partial or full replacement of the current Zengin System by the "New Payment System" is also envisioned**.
- ③ • **At the initial launch (Day 1), transfer amounts will be capped. Confirmation of Payee and credit confirmation will be supported, and mobile number-based transfers are also under study.**

• While some financial institutions (FIs) may not be connected at the initial launch, achieving sufficient network effects and reducing social costs will require that **all FIs currently participating in the existing system join the new system within a defined period**.

• A design that supports continued use of the Zengin format is under study to minimize user impact.
- ④ • The 8th Zengin System (2028 planned launch) upgrade schedule will be aligned with **a review of role allocation among payment systems and the assessment of additional features**

• FY2033 targeted (Day 2): consider issues including whether to raise transfer limits, implement additional features (payment requests, QR code transfers) and support international remittance.
- ⑤ • The 8th Zengin System upgrade schedule (2038 planned renewal) will be aligned with the full migration of some roles of the current Zengin System to the "New Payment System." **Reallocation of roles among payment systems is also an option. Usage trends must be considered with the end of FY2033 is set as a checkpoint.**