



Policy Panel Discussion at the
BOJ International Conference on
“Future of Central Banking
under Globalization”

May 27, 2010

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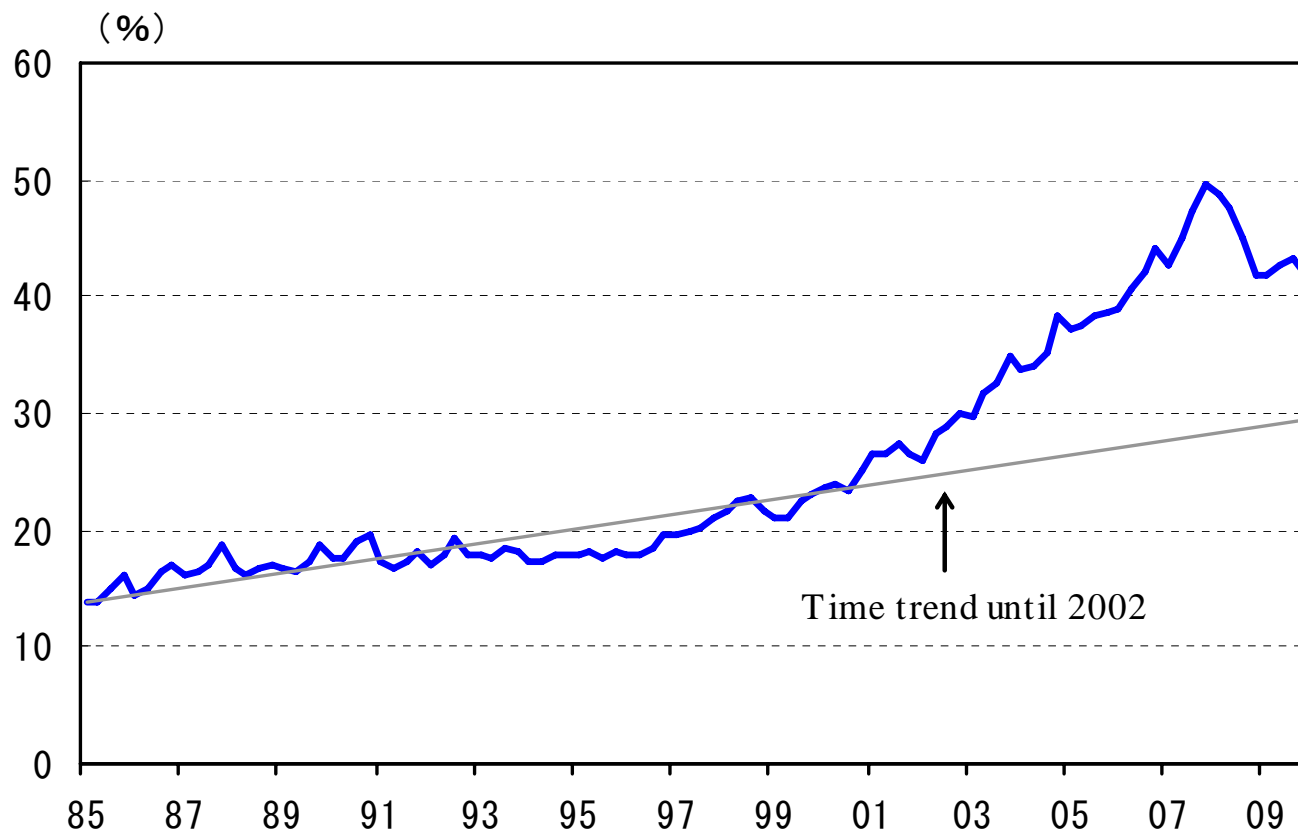


Overview

1. Changes in global capital flows
2. Designing financial infrastructure to ensure financial stability
3. Implications for future central banking

1. Changes in global capital flows

(1) Ratio of banks' foreign claims to global GDP



Note: Foreign claims comprise cross-border claims and local claims in foreign currencies. Interoffice accounts are excluded.

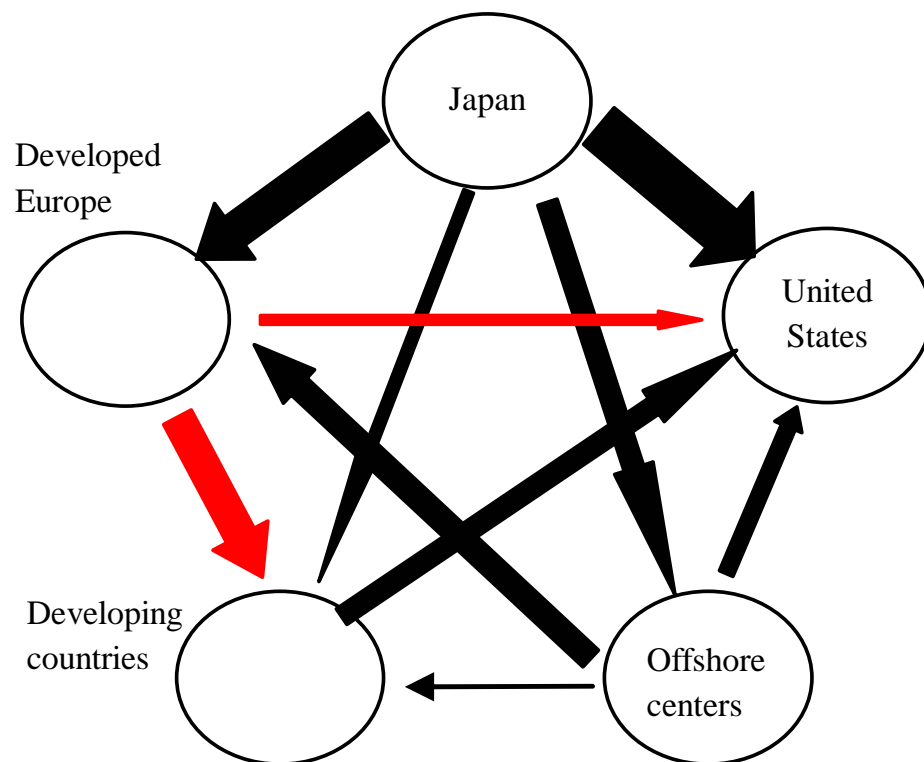
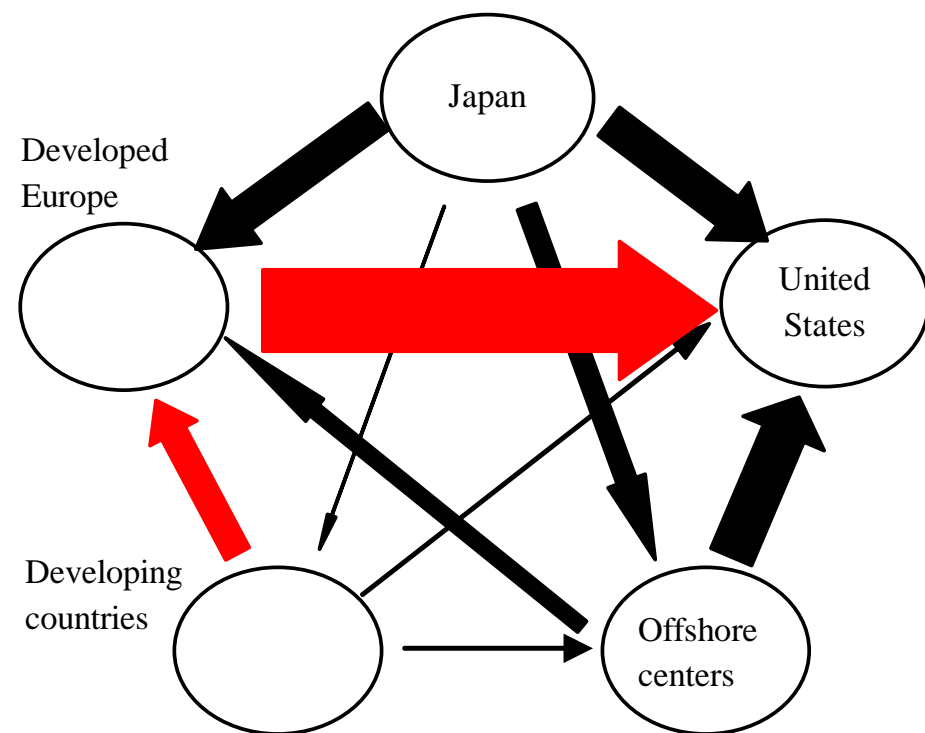
Sources: Bank for International Settlements, "Locational International Banking Statistics"; International Monetary Fund, "WEO Database."

1. Changes in global capital flows

(2) Net external claims through international banking system

End-December 2006

End-December 2009

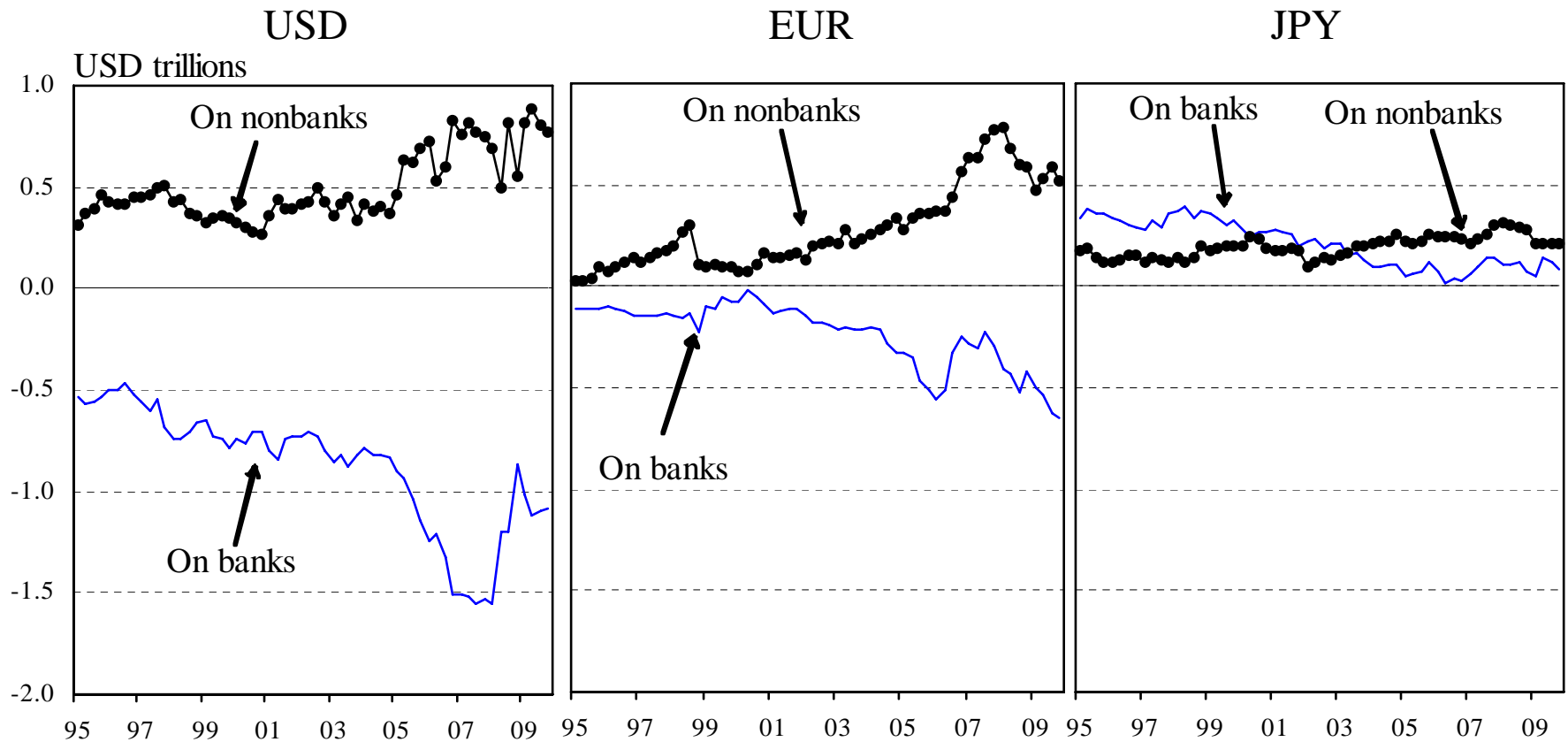


Note: The width of each arrow indicates the net amount.

Source: Bank for International Settlements, "Locational International Banking Statistics." 4

1. Changes in global capital flows

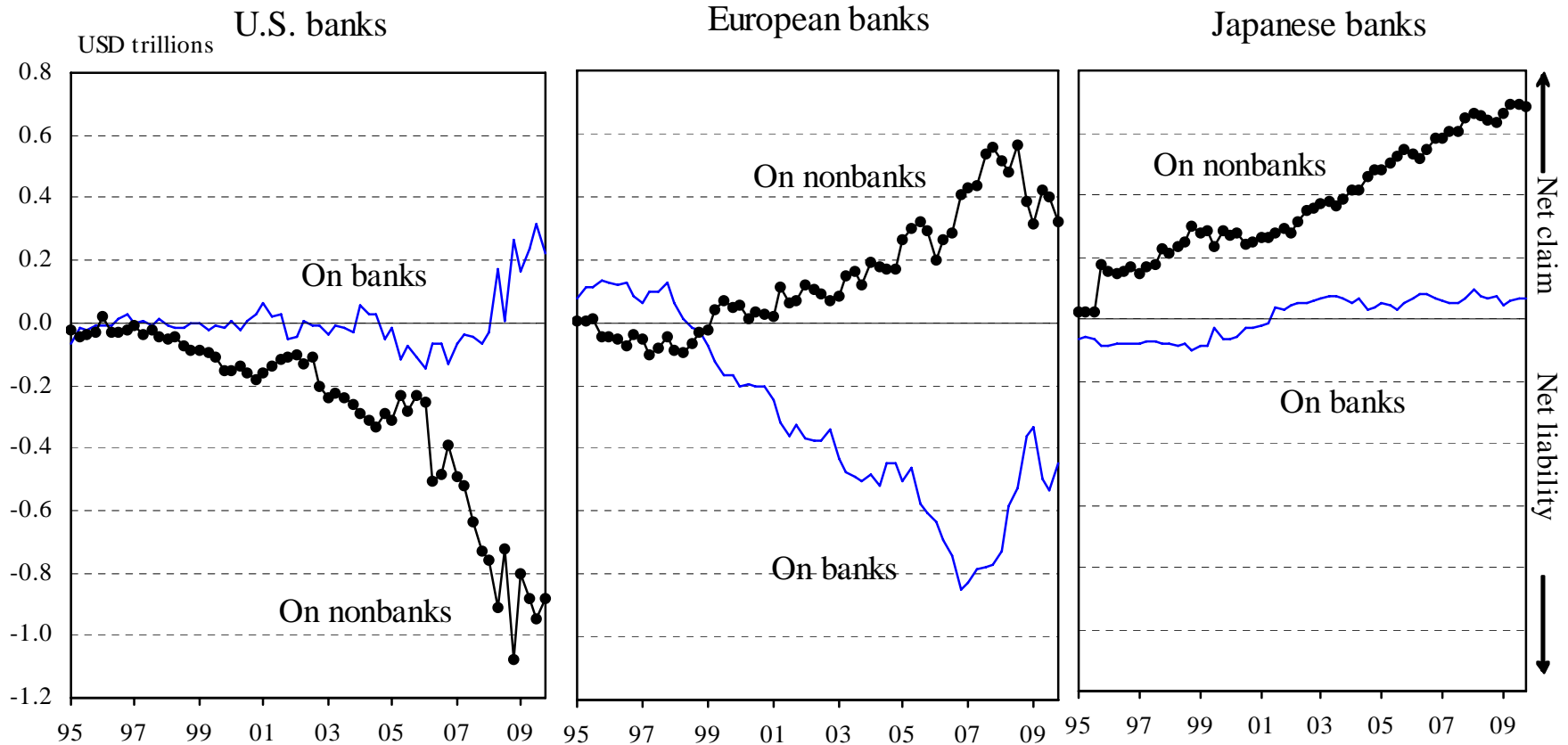
(3) Banks' net foreign claims by currency



Source: Bank for International Settlements, "Locational International Banking Statistics."

1. Changes in global capital flows

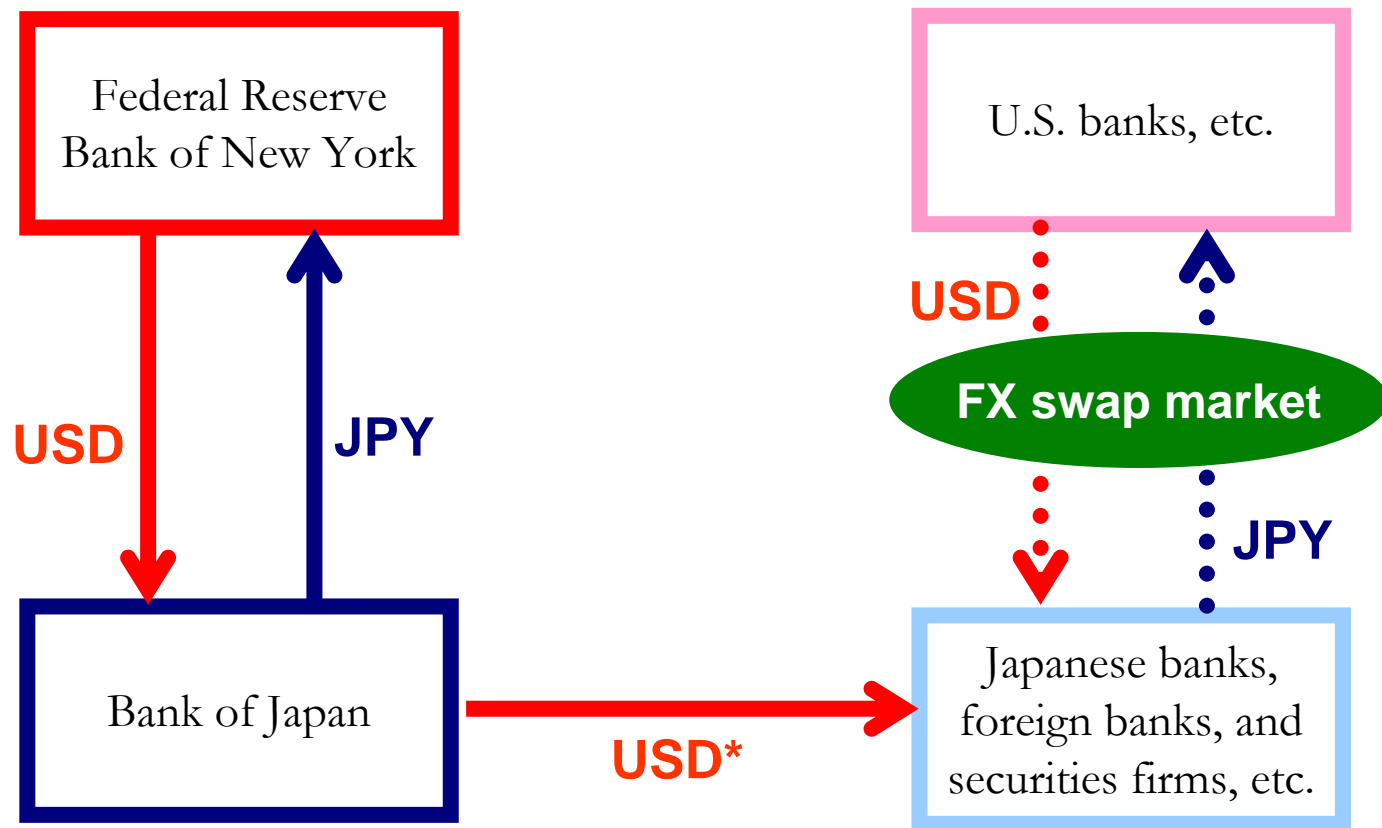
(4) Banks' net foreign U.S. dollar claims by nationality



Source: Bank for International Settlements, "Locational International Banking Statistics."

2. Designing financial infrastructure to ensure financial stability

(1) Framework of U.S. dollar funds-supplying operations



* USD funds supplied against pooled collateral posted by financial institutions to the Bank of Japan

2. Designing financial infrastructure to ensure financial stability

(1-2) Recent results of U.S. dollar funds-supplying operations conducted by central banks

(a) 1 week

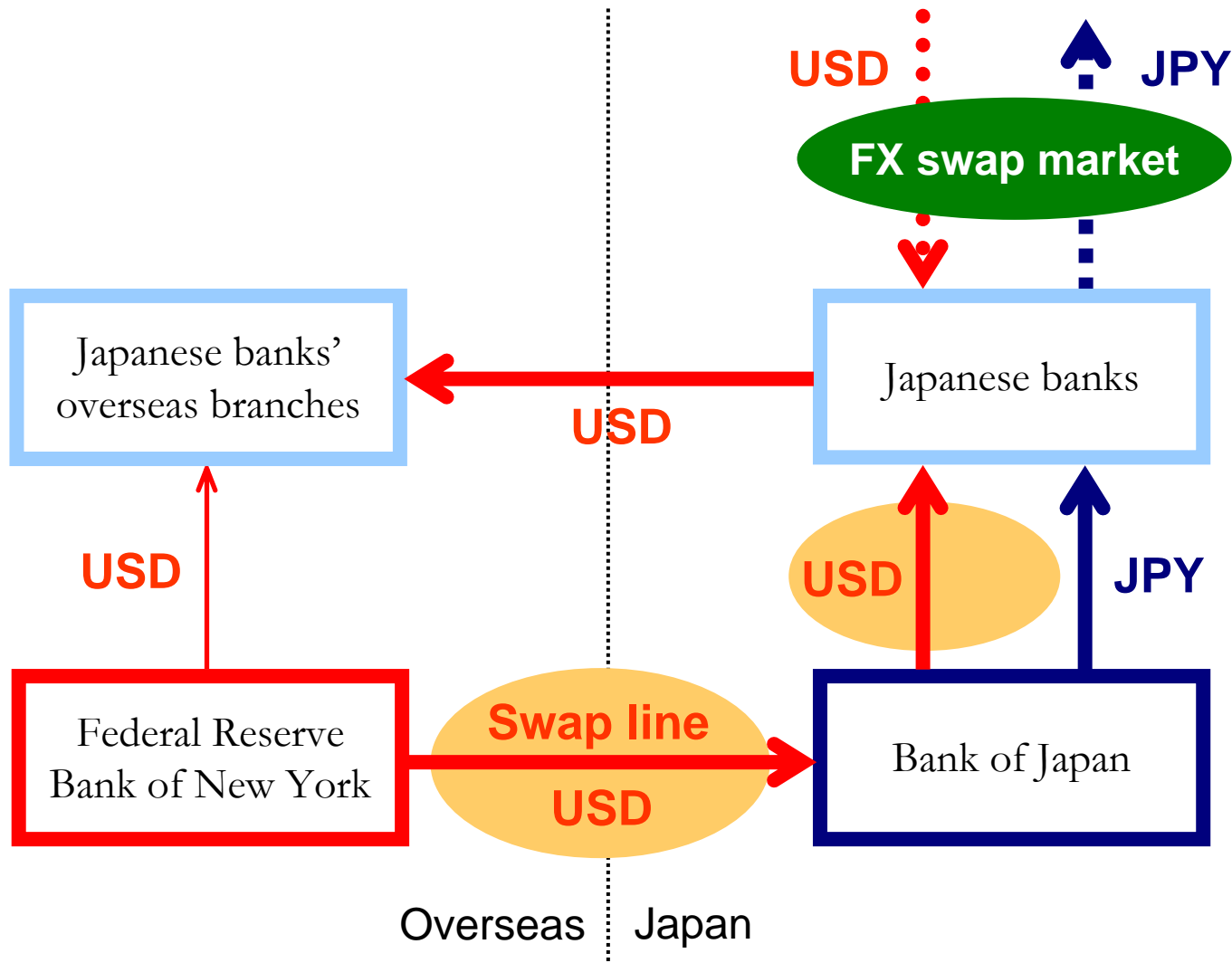
Auction Date	Amounts of bid (\$ bil.)				Rate (%)
	BOJ	ECB	BOE	SNB	
May 11	-----	9.2	0	0	1.22
May 19	-----	0	0	0	1.22

(b) 3 months

Auction Date	Amounts of bid (\$ bil.)				Rate (%)
	BOJ	ECB	BOE	SNB	
May 18	0.2	1.0	-----	-----	1.24

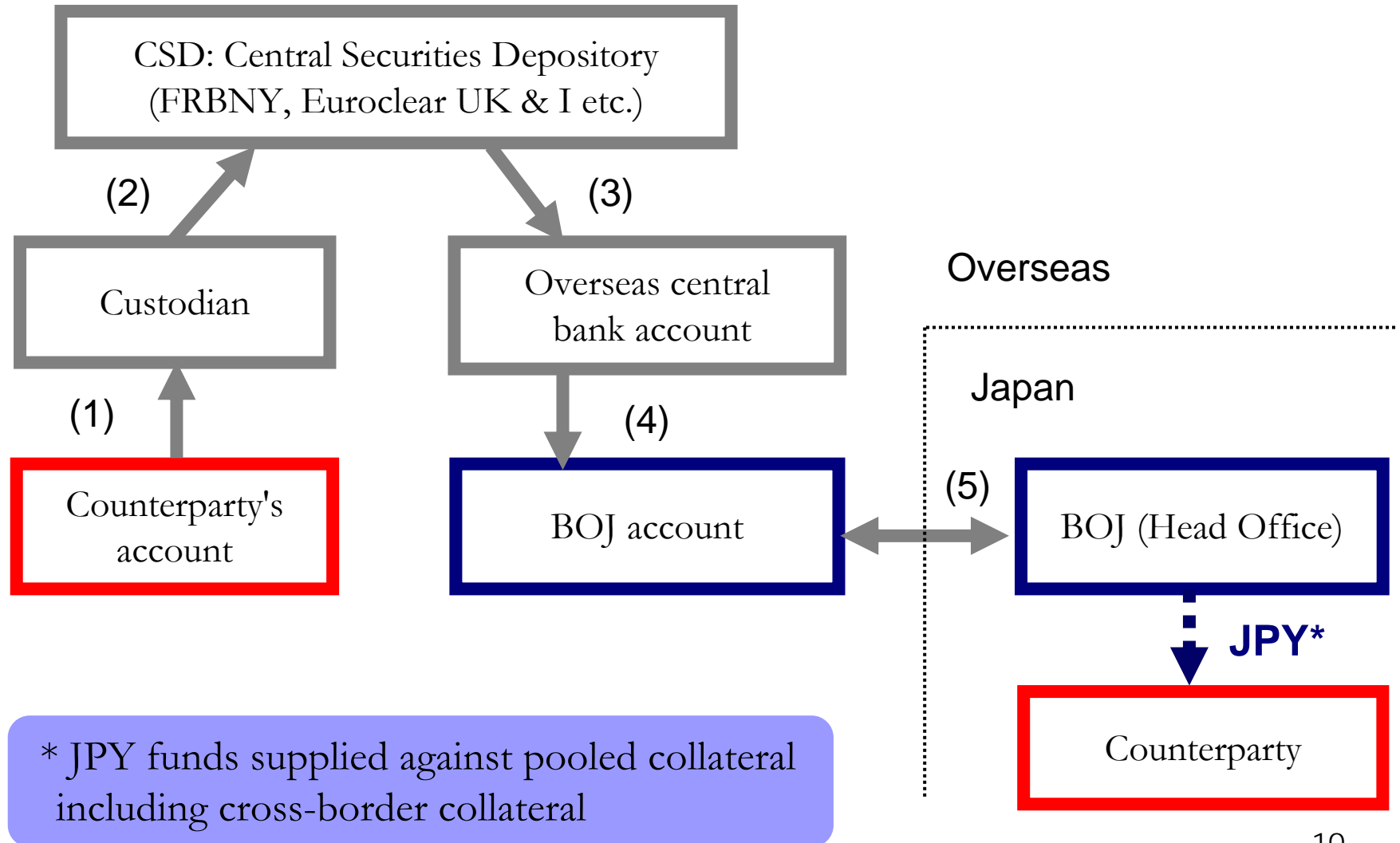
2. Designing financial infrastructure to ensure financial stability

(2) Wider LLR role of central banks



2. Designing financial infrastructure to ensure financial stability

(3) Framework of cross-border collateral arrangements



2. Designing financial infrastructure to ensure financial stability

(3-2) Eligibility of cross-border collateral (foreign government bonds) among G10 central banks

(As of May 2010)

	Eurosystem	FRB	BOE	SNB	BOC	Riksbank	BOJ
Euro area Gov. Bonds	--	○	○	○	×	○	△ France, Germany
US Gov. Bonds	×	--	△	○	○	○	△
UK Gov. Bonds	×	○	--	○	×	○	△
Swiss Gov. Bonds	×	○	△	--	×	×	×
Canadian Gov. Bonds	×	○	△	×	--	×	×
Swedish Gov. Bonds	×	○	△	○	×	--	×
JGB	×	○	△	×	×	○	--

○: permanently eligible, △: temporary eligible, ×: not eligible



3. Implications for future central banking

1. Macro-prudential perspective
2. Financial infrastructure
3. “Lender of Last Resort” function

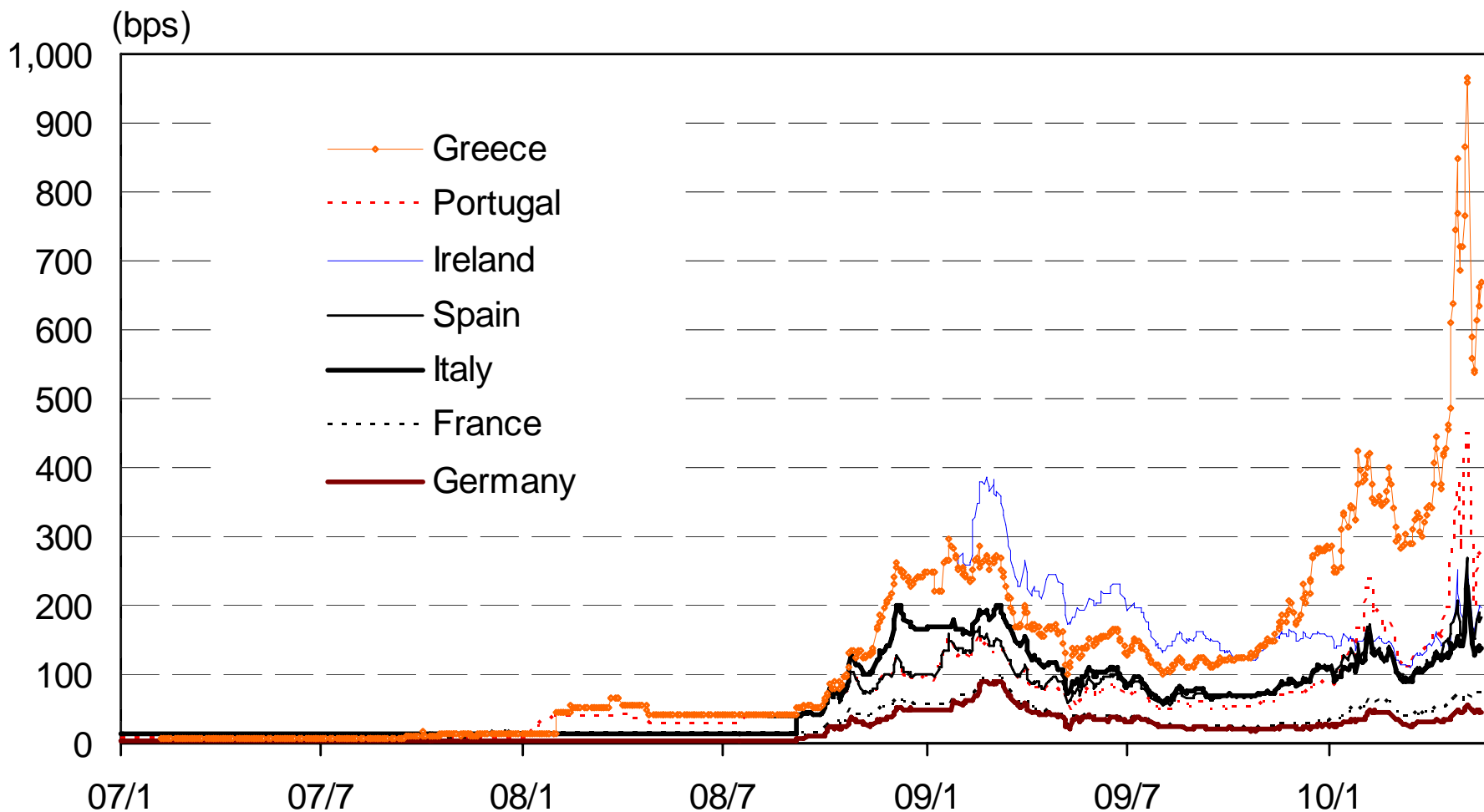


Appendix

Sovereign risk in Europe

Sovereign risk in Europe

(1) Europe's sovereign CDS spreads

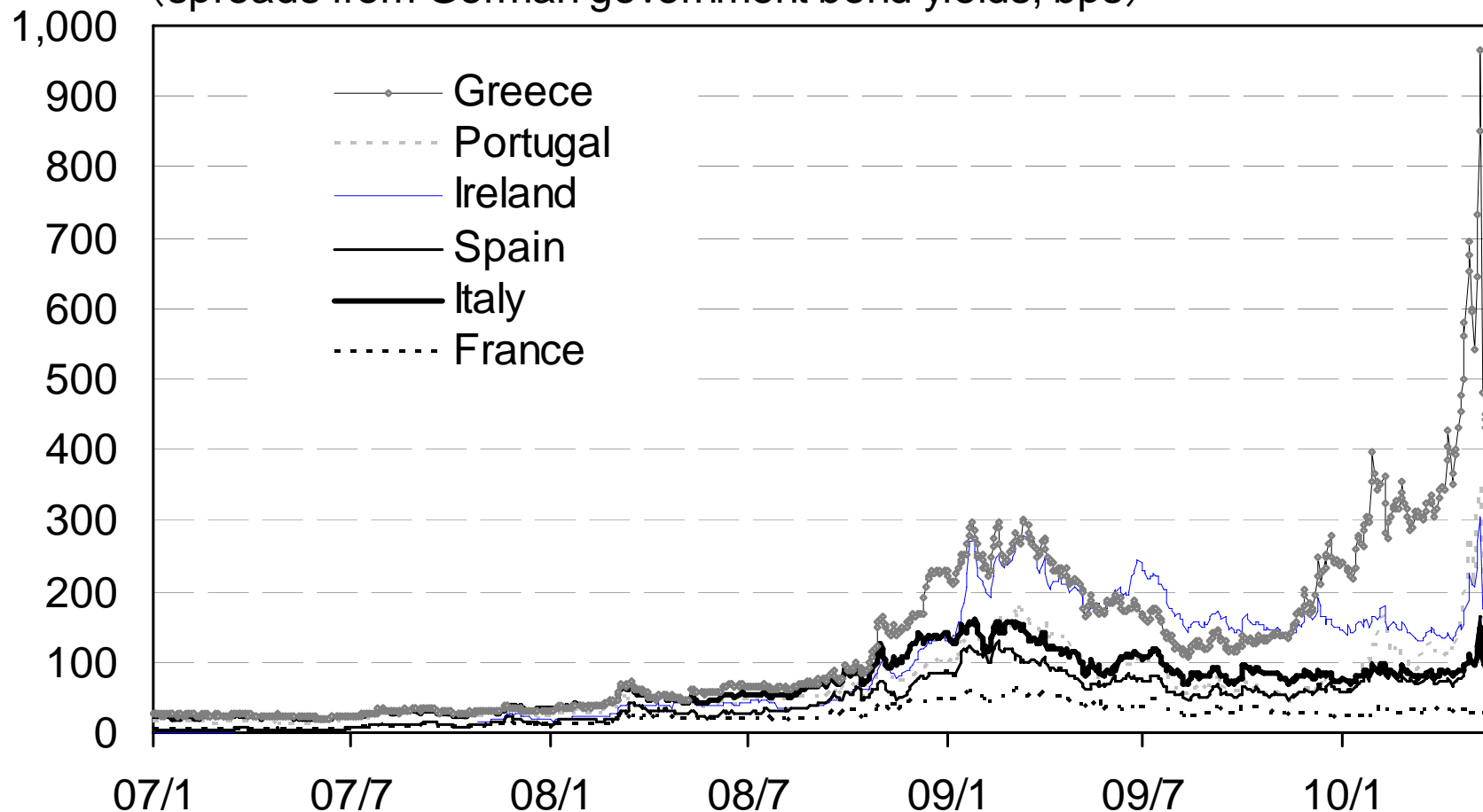


Source: Bloomberg.

Sovereign risk in Europe

(2) Europe's government bond yields (10 years)

(spreads from German government bond yields, bps)



Source: Bloomberg.