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Development of Japan's Internet Reporting System

**Prepared by the International Department
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Japan's Internet reporting system has been named as BOP system. BOP stands for Bank of Japan Open Network for Electronic Procedures under the *Foreign Exchange and Foreign Trade Law* (the *Law*). The BOP system will enable on-line reporting of international transaction and position data (see Attachment for BOP's system configuration).

Development of the BOP system is at its final stage. It has been developed on schedule and is planned to start in January 2005. In November and December 2004, we will conduct final program tests with major participating respondents.

The background of the Internet reporting project is threefold. First, an e-government strategy was established in 2000. Under this strategy, the Ministry of Finance and the Bank of Japan (BOJ) were required to prepare for Internet reporting of international transaction and position data under the *Law*. Second, our legacy (current) system for the compilation of Japan's balance of payments statistics had to be updated. This was a good opportunity for us to initiate the project of Internet reporting system. Third, efficiency of data compilation had to be further improved. It was considered that the workload associated with validating collected data and inputting them had to be largely reduced.

The development of the Internet reporting system has demanded the allocation of huge resources, which will amount to 2,000 man-months (1 man-month corresponds to 1 million yen). However, it is considered that benefits of the Internet reporting system will be large enough to outweigh the costs in five to ten years. Eventually, necessary human resources will be reduced by 20%, in the case that 50% of reports are transmitted on-line. Such reduction is possible simply because our staff will not need to check the reports submitted in hardcopies nor manually input the data. In addition, the development of the new system has given us a very good opportunity to conduct business process reengineering. For example, reports required by the *Law* will be streamlined and the number of report forms will be reduced by 50%.

One of the most important key success factors is cooperation of respondents. The campaign to collect respondents' applications started in July 2003. As of September 30 2004, first deadline of the application, 484 organizations indicated their agreement to participate. We expect that the number of participants will increase after the BOP system becomes readily available. The totality of Japan's major respondents agreed to participate in the BOP system; these major respondents are required to submit daily reports on cross-border portfolio investment.¹

We believe that such a high participation rate is due to following reasons. First, the BOP system will provide convenience to its participants. They will be able to report data easily at any time, saving mailing time and costs and reducing labor costs of preparing reports on a paper basis. Second, BOP system's implementation cost will be low. The BOJ will provide participants with client application software free of charge. Third, robust security measures will be incorporated to protect data confidentiality when information is transmitted. We explained those measures at the last BOPCOM meeting.²

In the future, we may need to update the BOP system if we change our data collection system from an ITRS to a survey system. The BOP system is based on the ITRS, which largely depends on individual reports for all international cash transactions. We are currently exploring the possibility of introducing a survey system, which focuses more on major players of international transactions than on individual international cash transactions. We do not know yet the impact of this change on the BOP system; however, we believe that the basic structure of the Internet reporting could be maintained.

Finally, we are ready to share with BOPCOM members or other statistics compilers our experiences and expertise of developing an Internet reporting system. For this purpose, we would like to meet the needs of international statistical community as much as possible.

¹ For cross-border portfolio investment, large investors whose gross trading amount exceeds 1 trillion yen per year are required to report their portfolio investment trading on a daily basis under the *Law*. Currently, 88 organizations, including major securities companies, banks, and other institutional investors, are legally obliged to submit such daily reports.

² The System offers following security measures; 1) server authentication, 2) data encryption, 3) multi-layered firewalls, 4) intrusion detection system, 5) access logging. For detail, please refer to

Summary of System Configuration of BOJ Open Network for Electronic Procedures on the Foreign Exchange and Foreign Trade Law (BOP)

