

# Postal Savings Service

## I. Business Performance

The Postal Savings Service, administered by MPT's Postal Savings Bureau, is a state-run, nonprofit financial institution that offers savings, money orders, "giro" and other personal financial services to the public on an impartial basis. Besides playing a vital role in the day-to-day life of the populace, these services contribute to the economic stability of individuals and the nation as a whole.

The postal savings system due to its close connection to people's daily lives, plays a central role in the area of personal finance. As of the end of March 2000, the balance of postal savings deposits was approximately XXX trillion yen, accounting for

slightly below 20% of the total of Japanese individuals' financial assets. This share has remained constant for the last 10 years. Nearly 100% of postal savings depositors are individuals, representing all age groups, occupations, income levels, and regions.

Postal savings deposits are redeposited with the Trust Fund Bureau of the Ministry of Finance (MOF), where they serve as an important source of funding for the Fiscal Investment and Loan Program. They are employed for infrastructure development, improving the quality of life in Japan, overseas economic aid, and economic measures implemented by the government.

## II. The management of Postal Savings Funds

### 1. What are the Postal Savings Funds?

Currently, the money gathered by Postal Savings is (with the exception of the amount necessary for refund and loans "YU-YU Loan" to account holders) all redeposited with the Trust Fund Bureau of the Ministry of Finance. The money is managed along with other redeposited government funds, such as welfare pension and national pension funds, as a major source of the government's Fiscal Investment and Loan Program, and is used to fund development of social infrastructure and the improvement of the quality of life in Japan.

MPT has been managing part of the Postal Savings Funds (the Fund to Cope with Financial Deregulation)

in financial and capital markets by itself. MPT established the Fund to Cope with Financial Deregulation in FY 1987 to ensure that the Postal Savings would be able to deal aggressively and suitably with financial deregulation.

Funds are raised by borrowing a portion of the Postal Savings Funds redeposited with the Trust Fund Bureau. This is then invested by MPT in instruments yielding a higher return than the funds redeposited with the Trust Fund Bureau. Investment returns are used to improve the quality of the Postal Savings financial products and services. Principally, the funds are invested in appropriate and secured instruments, such as government bonds, to ensure the interests of account holders and maintain the healthy management of the

Postal Savings services.

## 2. Outline of the management of the Postal Savings Fund by MPT

Along with the reform of the Fiscal Investment and Loan Program, the redepositing obligation of the Postal Savings Fund (including Postal Giro Fund) to the Trust Fund Bureau of the Ministry of Finance will be abolished, and it is planned that all the Fund be managed by MPT from April 2001. The institutional amendments to the Postal Savings Law, etc. with this change were deliberated in the 147th Diet, and were promulgated.

In the amendment, it is stipulated in Laws that the Postal Savings Fund received from depositors be managed "surely and profitably" and "in consideration with securing public interests."

With regard to investment after MPT begins to manage the entire Fund, from the viewpoint of fund operation in the market, most of the Fund will be invested in the same manner as the Fund to Cope with Financial Deregulation. Exceptionally, a portion of the Fund will be lent to local public bodies from the viewpoint that the Postal Savings Fund, collected through post offices all over Japan, should benefit the regions from which the Fund is collected. The processes of management, responsibilities of the management officers, etc. are to be stipulated in order to secure transparency in management.

As mentioned above, a portion of the Postal Savings Fund has been operated by MPT, and Postal Life Insurance (Kampo) Funds have been operated directly by the Minister of Posts and Telecommunications since their inception in 1919.

MPT will proceed with all necessary measures to protect the interests of account holders and maintain the stable and sound operation of the

Postal Savings, making ample use of its long experience in Kampo and Postal Savings fund operation.

## 3. State of the Fund to Cope with Financial Deregulation

The instruments of the Fund to Cope with Financial Deregulation are government bonds, municipal bonds, government agency bonds, bank debentures, corporate bonds and foreign government bonds, etc. By the end of FY1999, the balance of the Fund reached around 59 trillion

yen, with about half the balance held in government bonds and most of the remainder in municipal and government agency bonds. In securities, the balance invested in foreign bonds was 4,044.5 billion yen.

Largest in foreign bonds, a total of 4,644.5 billion yen, was invested into U.S. bonds, accounting for 27.4% of the total, then into German bonds (13.9%), international organization bonds (12.3%), French bonds (10.1%), Canadian bonds (8.4%), Italian bonds (7.2%) and U.K. bonds (5.4%).

Table II-3-1 The Fund to Cope with Financial Deregulation

(Unit: ¥ trillion)

	FY 1987	1988-1991	1992	1993	1994	1995	1996	1997	1998	1999
New funds invested	2.00	¥0.50 trillion added to amount of new funds invested in the previous fiscal year	5.40	4.75	5.00	5.00	5.00	5.50	9.50	5.50
Funds invested	2.00	4.50-15.00	20.40	25.15	30.15	35.15	40.15	45.65	55.15	60.65

Table II-3-2 Assets of the Fund to Cope with Financial Deregulation According to Type of Instrument (As of the end of March 1999)

Investment instrument	Amount (¥ billion)	Percentage
Government bonds	26,458.9	47.9
Municipal bonds	8,297.4	15.0
Government agency bonds	2,463.5	4.5
Bank debentures, corporate bonds	3,981.3	7.2
Foreign bonds	4,459.8	8.1
Trust money (designated moneys in trust)	9,340.1	16.9
Deposits in financial institutions, etc.	225.3	0.4
Total	(55,226.3)	(100)

## III. Expansion of International Services

### 1. Expansion of international remittance services

For international remittance services at post offices, remittances such as study expenses for children studying abroad or payment for personal imports can be made at 20,000 post offices throughout Japan to 81 nations and 10 regions in Asia, Europe, the Americas and Africa (as of May 1, 2000), by simple procedures.

The remittance can be made to the

address or to the postal giro account of the payee. For telegraphic remittance, money can be sent in two to four days. (The service content may vary by nation.)

International postal giro services, the remittance between postal giro accounts, can be used for a fixed charge of 400 yen, regardless of the amount transferred.

In addition, the post office conducts other services such as the international remittance card service

(which automatically prints addresses and names on the application form and notification for international remittances) and the pre-print service of the application forms for international giro transfers.

## 2. Opening Postal Savings ATM network for foreign card users

On June 30, 2000, cash withdrawals with credit cards or ATM cards issued by foreign financial institutions, etc. became possible at ATMs at post offices.

Being entrusted by domestic credit card companies concluding membership contracts with foreign financial institutions, the service is operated for the cash payment service toward the users of the cards issued abroad.

Previously, only several hundred ATMs in Japan could be used with cards issued abroad, since such cards have a magnetic stripe on the back (whereas cards issued in Japan have the stripe on the face), which prevented such cards from being used at most Japanese ATMs. Visitors from foreign nations are increasing year on year, so is the demand for such a service from foreign credit

card businesses. Taking this into consideration, MPT decided to remodel Postal Savings ATMs at post offices.

It is planned that some 21,000 ATMs at post offices all over Japan will comply with this in FY2000.

Moreover, these ATMs will also feature English-language guidance so that the ATMs are accessible for visitors from abroad.

The cards are: Credit cards issued

by VISA International, MasterCard International, American Express and Diners Club (JCB credit cards are planned to compliant in March 2001); Debit cards issued by financial institutions participating networks of VISA Electron or Maestro Network; ATM cards issued by financial institutions, participating networks of PLUS or CIRRUS. Stickers displaying these cards are shown around compliant ATMs.

## IV. Serving the International Community

### 1. Postal Savings for International Voluntary Aid (POSIVA) Program

In January 1991, Postal Savings introduced the Postal Savings for International Voluntary Aid (POSIVA) program with the aim of gathering grassroots support as a way of expanding overseas aid.

Participants in the POSIVA program donate a part of the after-tax interest earned on their Ordinary Savings accounts, which is then channeled through non-governmental organizations (NGOs) into projects designed to improve the welfare of people in developing countries. The cumulative number of accounts in this program as of March 31, 2000 reached 25.83 million.

Note: Depositors can donate between 20% and 100% of the interest earned in increments of 10%.

### 2. Forum on the introduction of Postal Savings

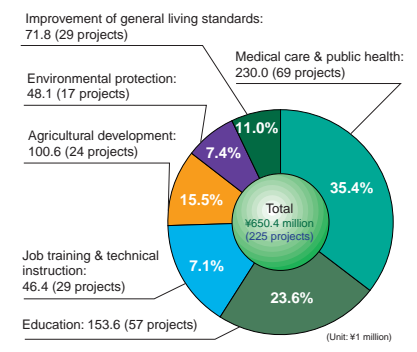
At the Universal Postal Union (UPU) Congress in Beijing

(UPU Beijing Conference) held in August 1999, "Beijing Postal Strategy," the principle for the development of postal financial services for five years (Ref. the column) was adopted. The Postal Savings Bureau of MPT chaired Committee 5, which

Photo III-2. Stickers displaying these cards



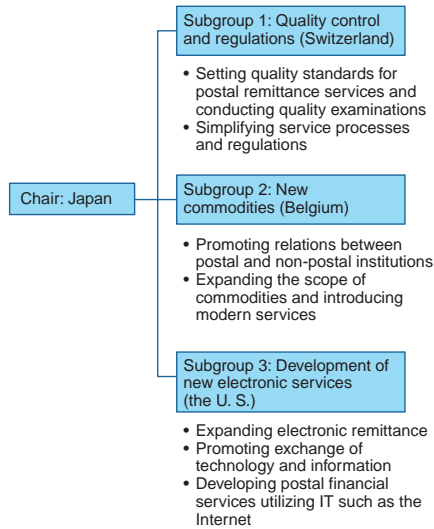
Fig. IV-1 Allocation of Postal Savings for International Voluntary Aid Funds in FY1998



was in charge of postal financial services in the Congress. The Bureau, appointed as the chair of Postal Financial Services Project Team, will play a leading role in the further development of postal financial services.

Under these circumstances, the "Postal Financial Services Development Forum" was held in March 2000 in Tokyo, with 19 representatives from the postal administrations of 12 UPU member countries, in order to discuss measures for the development of postal financial ser-

Fig. IV-2 Postal Financial Services Project Team (39 member countries)



### Action Plan POST-SERFIN 2000-2004

(Resolution C42 at the Universal Postal Congress at Beijing)

With the aim of adjusting the environment in which postal financial services are discovering change and of promoting the development thereof, the resolution was adopted to conduct the "Development strategy for postal financial service, Action Plan POST-SERFIN 2000-2004."

Ten points for special consideration are enumerated, including the "promotion of introduction and development of postal financial services among member countries."

vices. The Forum discussed the action plan of the coming five years for executing the development strategy, and decided upon i) creating a service standard for postal remittance services; ii) creating manuals, guides, etc. on postal financial services; iii) conducting market research for analyzing bases of collaboration between postal administrations and non-postal institutions

from the viewpoint of the provision of new services; and, iv) holding a workshop for studying IT and using IT in postal financial services, etc.

Note: "Postal financial services" is used in UPU as a generic term for postal savings and international remittance services.

### 3. Postal Savings International Workshop

The Postal Savings Bureau has been holding an annual Postal Savings International Workshop since FY1992 aimed at contributing to the development of savings and remittance settlement services of postal administrations and savings banks as well as to the promotion of international cooperation as a savings institution sharing the same societal mission as other savings institutions.

The eighth workshop in FY1998 was held for 12 days from October 18 through 29 in 1999. A total of 13 high-ranking officials from postal administrations and savings banks in 13 countries including Thailand and Myanmar, which are considering the introduction of a postal savings system, attended this workshop.

### 4. Executives' International Seminar on Postal Savings Services

The Postal Savings Bureau, as a technical cooperation for developing countries, has been conducting the Executives' International Seminar on Postal Savings Services since FY 1984, inviting high-ranking officials from postal administrations and state-run savings institutions in developing countries.

This annual seminar is held in cooperation with the Ministry of Foreign Affairs and the Japan International Cooperation Agency (JICA), and aimed at contributing to the development of savings and remittance settlement services in participating countries through presentations on the Japanese postal savings system and the current status of the system as well as an exchange of information and opinions among participants.

The FY1999 seminar, the 16th of its kind, was held from January 24 through February 4, 2000. A total of 10 officials from 10 countries, including Bhutan, Mongolia and Cambodia which are considering introduc-

Photo IV-3 Participants in the Postal Savings International Workshop



Photo IV-4 Executives' International Seminar on Postal Savings Services



ing international remittance services, attended the seminar.

### 5. Individual training courses and dispatch of experts

At the request of postal administrations and savings banks primarily in developing countries and also international organizations and the Japan International Cooperation Agency (JICA), the Postal Savings Bureau has been accepting trainees and dispatching experts from/to these organizations aimed at spreading the concept of savings and thrift in developing countries as well as further promotion of Japan's contribution to the international community.

In FY1999, the Postal Savings Bureau accepted postal administration officials and some other persons from such countries as Thailand, Sri Lanka, Vietnam and nations of East Africa to help these countries introduce a postal savings system, or to

improve their on-line systems.

At the request of the Universal Postal Union (UPU), the World Savings Banks Institute (WSBI) and JICA, the Postal Savings Bureau has dispatched experts to the following countries: to Cambodia, for introducing international remittance services, and to Vietnam, Thailand and Laos, for introducing and improving their postal savings systems.

Since August 1998, the Postal Savings Bureau has been dispatching an expert to the International Bureau of UPU in order to support the introduction of international remittance services in countries where this system has yet to be adopted within the Asia-Pacific region.

### 6. The World Savings Banks Institute (WSBI) Postal Savings Banks Forum

There are many savings institutions including postal savings for individuals worldwide. The World

Savings Banks Institute (WSBI) was established as an association for these savings.

WSBI has been supporting activities of savings banks around the world by promoting studies on a wide variety of issues regarding savings and savings banks such as savings promotion and protection of account holders.

In November 1999, the third Postal Savings Banks Forum was held in Brussels, Belgium, aimed at promoting information exchange and strengthening ties among postal savings institutions which make up approximately one-third of all WSBI member institutions.

At the request of WSBI, the Postal Savings Bureau of MPT agreed to chair the forum, following the first and second forums. During the forum, MPT's Postal Savings Bureau reported the Universal Postal Congress held in August 1999 in China with the view that the importance of postal saving is re-recognized by international community.

In the forum, resolutions were made to strengthen public relations for further understanding the importance of postal savings and to support the conclusion of agreement between WSBI and the Universal Postal Union (UPU).

Note: WSBI has 108 member institutions in 87 countries as of July 2000.

Photo IV-6 The World Savings Banks Institute (WSBI) Postal Savings Banks Forum

