

## **Clearing and Settlement in Japan**

**JASDEC's Initiative Toward Securities  
Settlement System Reform in Japan**

**ISSA Regional Meeting in Seoul  
Japan Securities Depository Center, Inc.**

**Oct 7, 2005**

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## **Main Topics**

- **The role of JASDEC**
- **Timetable**
- **DVP**
- **PSMS (Pre-Settlement Matching System)**
- **NETD (Non-Exchange Trade Deliveries)**
- **Electronic CPs**
- **Paperless of Non-Government Bonds and Investment Trust Funds (Optional)**
- **Paperless of Stocks (Mandatory)**

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### Outline of JASDEC Inc.

(As of July 30, 2005)

- 1) Name of Company: *Japan Securities Depository Center, Incorporated*
- 2) Date of Establishment: January 4, 2002
- 3) Capital (Common Stock): 4.25 billion yen  
(Capital surplus: 4.25 billion yen)
- 4) Number of Shares Issued: 8,500 shares
- 5) Number of Shareholders: 190 participant companies
- 6) Date of Businesses Commencement: June 17, 2002
- 7) Shareholders by Types of Participants:  
 Securities Co. 34.6%, Banks 12.0%,  
 Trust Banks 16.3%, Stock Exchanges 37.1%

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	2003	2004	2005	2006	2007	2008	2009	
Legislation and Others	<ul style="list-style-type: none"> <li>Amended CP Law Enforced (Jan.)</li> <li>Amended Securities Exchange Law enforced (Jan.)</li> </ul>	<ul style="list-style-type: none"> <li>Amendment to Commercial Code enforced (Paperless Stock)</li> </ul>	<b>Preparation &amp; Publicity Period (Max 5 years)</b>				○ Enforcement of Paperless Stock System	
CP	CP System/DVP Operational (March)			○ New System Function				
Non Gov. Bond Investment Trust				○ Transfer system operational ○ Transfer system operational				
Paperless Stock <i>Operational</i>							○ Stock Paperless System Operation	
● an item that is already operational or an item whose operation date is already set								

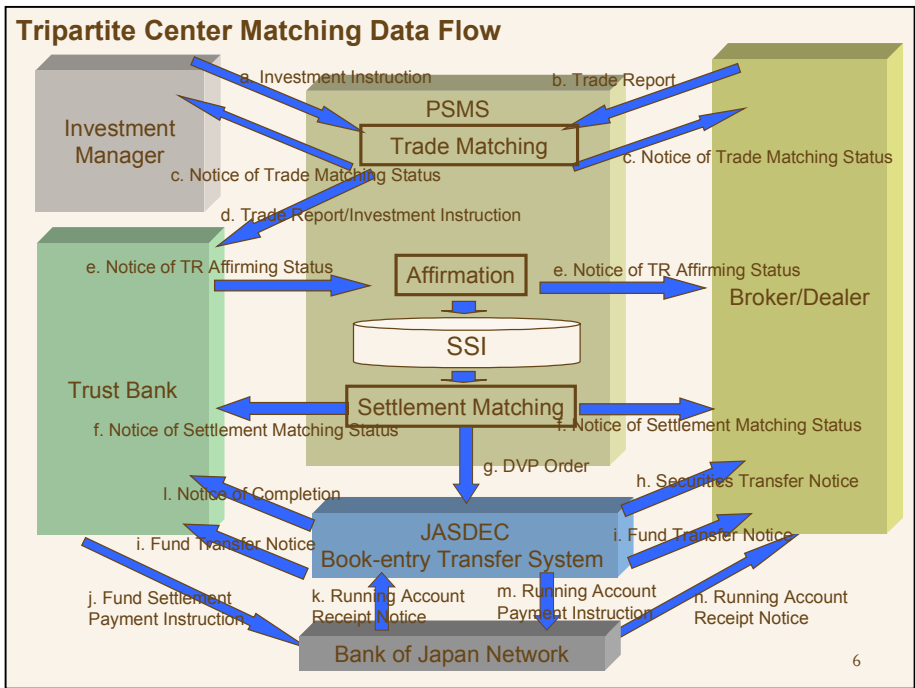
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### Realizing DVP

	Govt Bond	Non-Govt Bond	Investment Trust	CP	Stock, CB	
					Exchange	NETD
Type of DVP	G=G,RTGS (N=N, for JGBCC)	G=G	G=G	G=G	N=N	G=N
CCP	JGBCC				JSCC	JDCC
matching	PSMS	PSMS	-	CP terminal (PSMS Fm '06)	Exchange	PSMS
CSD	BOJ	JASDEC	JASDEC	JASDEC	JASDEC	JASDEC
Start from	Jan-01	From Jan.2006&2007		Mar-03	May-01	May-04

JGBCC Japan Government Bond Clearing Corporation (2005.5.)  
 PSMS Pre-Settlement Matching System  
 JSCC Japan Securities Clearing Corporation (2001.5.)  
 NETD Non-Exchange Trade Delivery  
 JDCC JASDEC DVP Clearing Corporation (2004.5.)

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### PSMS (service started)

Domestic Trades	Since	Non Residents' Trades	Since
Stocks	2001.9	Stocks	2002.2
CB	2002.2	CB	2002.2
Government Bonds (outright)	2003.5	Government Bonds (outright)	2005.2
Futures, Options	2003.5	CP, Corporate Bonds	2006.1 (scheduled)
NAV (investment trusts)	2003.5		
G.B. Repo, Gensaki	2005.2		
CP, Corporate Bonds	2006.1 (scheduled)		

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### DVP for NETD (non-exchange traded deliveries)

#### (1) Scheme

Gross-Net Type (as introduced at DTC in US)

➤ Security Delivery: Gross Base

➤ Fund Payment: Net Base

#### (2) Risk Management

➤ Assurance of liquidity of fund

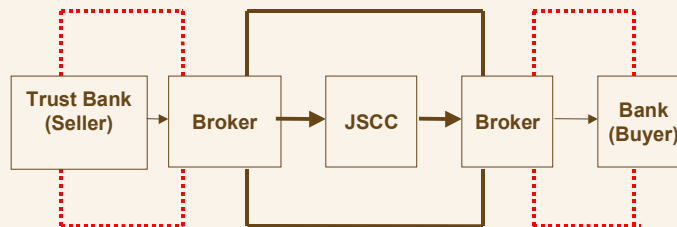
➤ Net Debit Cap

➤ Assurance Assets

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## Exchange Trade Transfers & Non-Exchange Trade Transfers

- Exchange trade transfers: →
- Non-exchange trade transfers: →

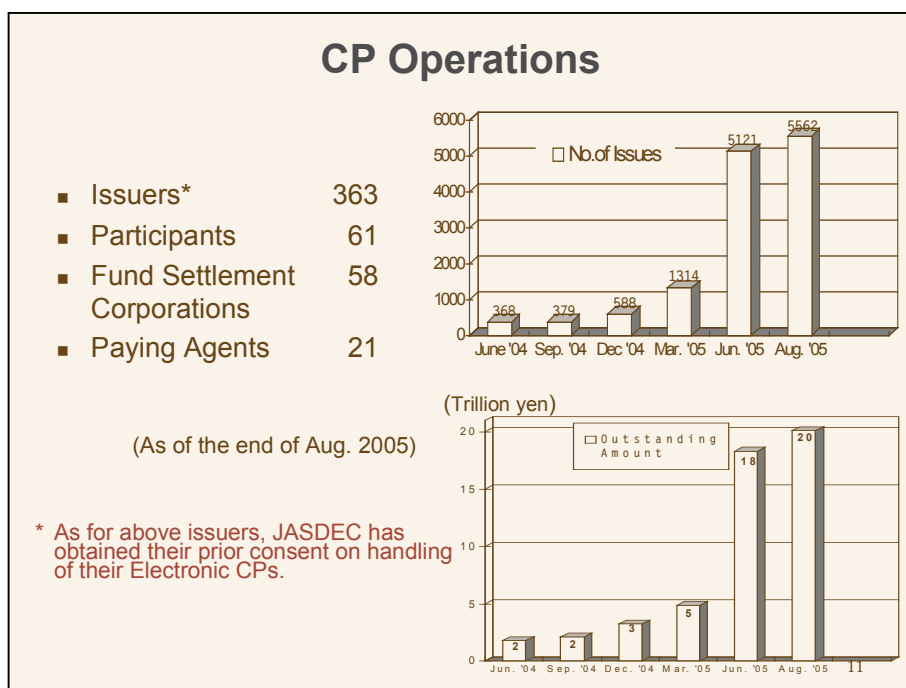


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## Non-Exchange Trade Deliveries

- \* Transfers between participants of JASDEC (in case both are agreed to DVP settlement) excluding exchange trades covered by JSCC  
Physical certificate delivery without account transfer and non-listed stocks are not covered
- \* Products covered: Stocks, ETF, REIT
- \* OTC trades are included

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### Changes in settlement systems (Bonds)

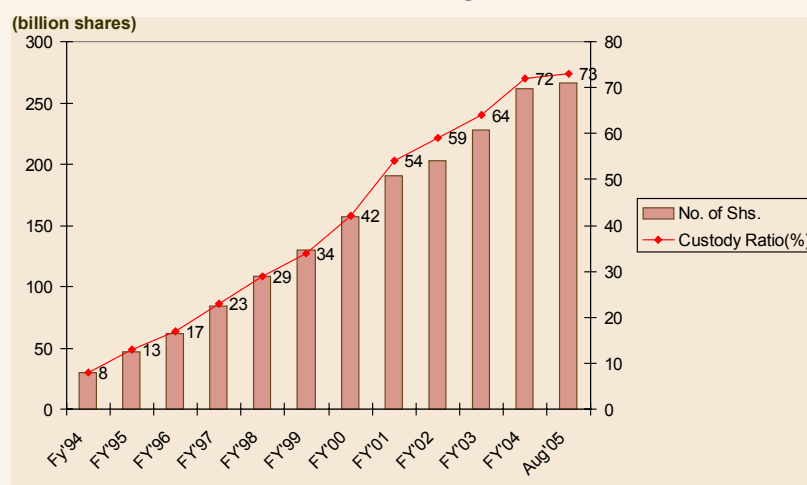
- **April 1994. DVP of JGBs started**
- **April 1998. DVP of non-Government Bonds started**
- **Jan 2000 RTGS of JGBs started**
- **Jan 2003 The Transfer of Corporate Debt Securities Law enforced. Paperless trading in JGBs started**
- **Jan 2006 Paperless trading in Non-Government Bonds will start**

## Abolition of Recording System for Corporate Bonds, etc.

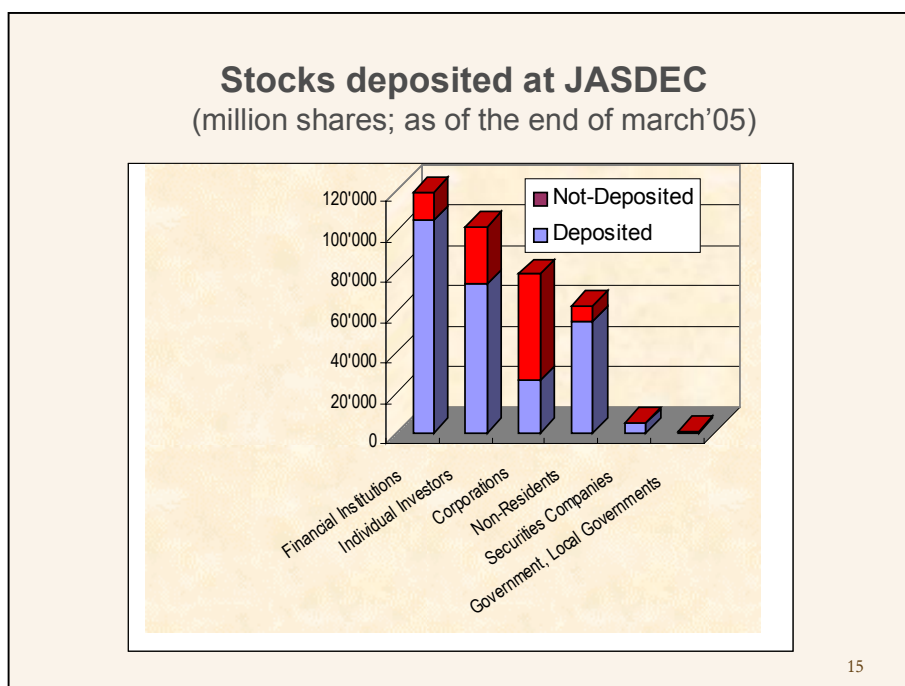
- Law on Recording of Bonds, etc. will be abolished on the date determined by the cabinet order within 5 years after Jan. 6th, 2003 (Acceptance Completion Date).
- Bonds that will be issued after Acceptance Completion Date will not be issued in recorded forms.
- Recording System for Corporate Bonds, etc. is still available only for outstanding recorded bonds.
- After Acceptance Completion Day, bonds will only be issued either in book-entry form or in physical form.

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## Growth of Shares in Custody and Custody Ratio



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## Dematerialization of Stocks

Details are discussed under 4 sub-committees:

- (1) **Book-transfer sub-committee**  
eligible stocks, issuers' consent, account opening, pledge, foreign ownership restricted issues, etc
- (2) **Data-center sub-committee**  
identification and grouping of accounts of the same shareholder in multiple accounts
- (3) **CB sub-committee**
- (4) **Switch-over sub-committee**

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**For further information**

- Please refer to the home pages of  
**“Reform Promotion Center For Securities Clearing  
And Settlement System” and JASDEC**

[http://www.kessaicenter.com/index\\_e.html](http://www.kessaicenter.com/index_e.html)

<http://www.jasdec.com/en/index.html>

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www.jasdec.com

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