



Reform of Clearing System in Japan

Japan Securities Clearing Corporation

ISSA Regional Meeting in Seoul
October 7, 2005



Developments of Clearing and Settlement System

- Emergence of use of CCP for securities and derivatives transactions
 - CCP services have been expanded from derivative to cash products.
 - As the importance of CCP's role is growing, various recommendations have been published.
- Recommendations for clearing and settlement organizations
 - 1989 "Clearance and Settlement Systems on the World's Securities Market"(G30)
 - 2000 "ISSA Recommendations 2000 "(ISSA)
 - 2003 "Global Clearing and Settlement A Plan of Action"(G30)
 - 2004 "Recommendations for Central Counterparties" (CPSS/IOSCO)

Reform of Clearing System in Japan



- In 2000, the report titled “New Financial Structure for 21st century” was published by Financial System Council
 - Reform measures to enhance international competitiveness of Japanese markets
 - Legal structure
 - STP
 - DVP
 - Facilitation of cross-border trades

Establishment of JSCC as a Unified CCP in Japan



- Historically, stock exchanges provided clearing and settlement services
- In 1991, Settlement service was separated from the stock exchanges when Japan Securities Depository Center started its operations
- In January 2003
 - Securities and Exchange Law by which clearing organization is clearly regulated was enforced
 - JSCC started its operations as a first unified CCP
 - Other CCPs started operations:
 - JASDEC DVP Clearing Corporation --- May 2004
 - Japan Government Bond Clearing Corporation --- May, 2005

Background of Establishment of JSCC

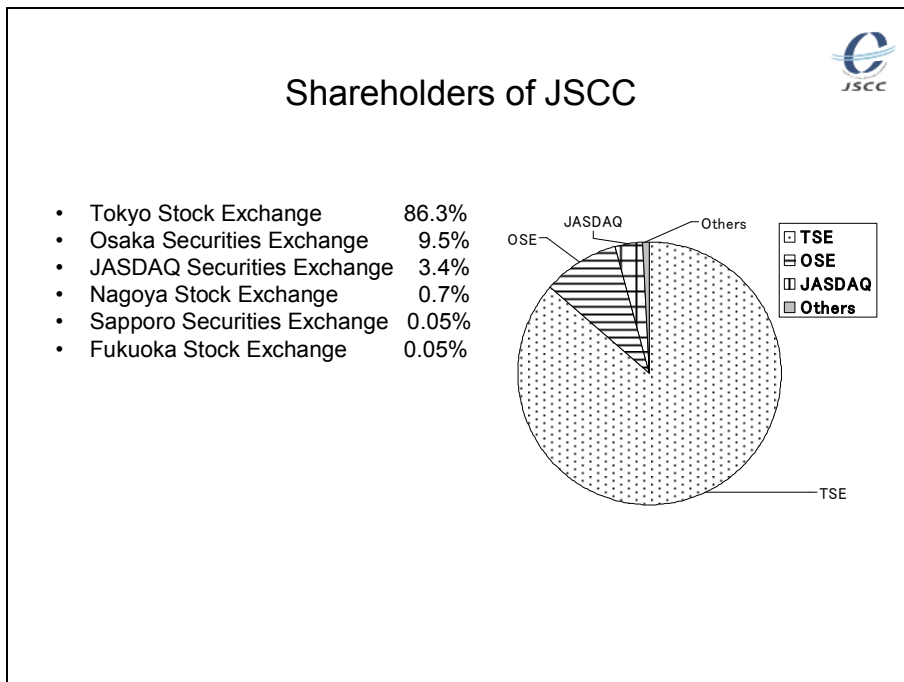
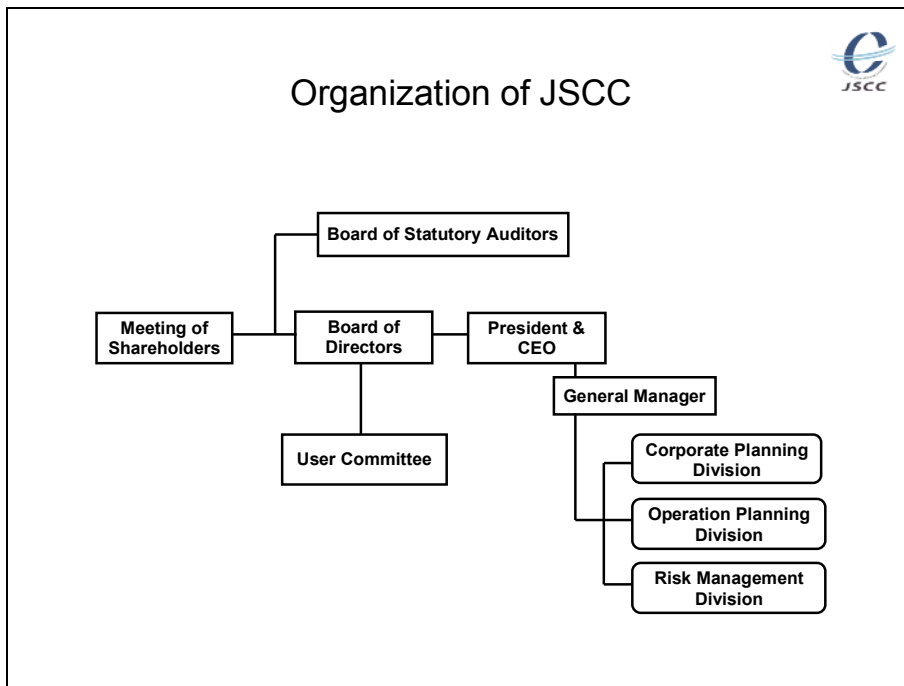


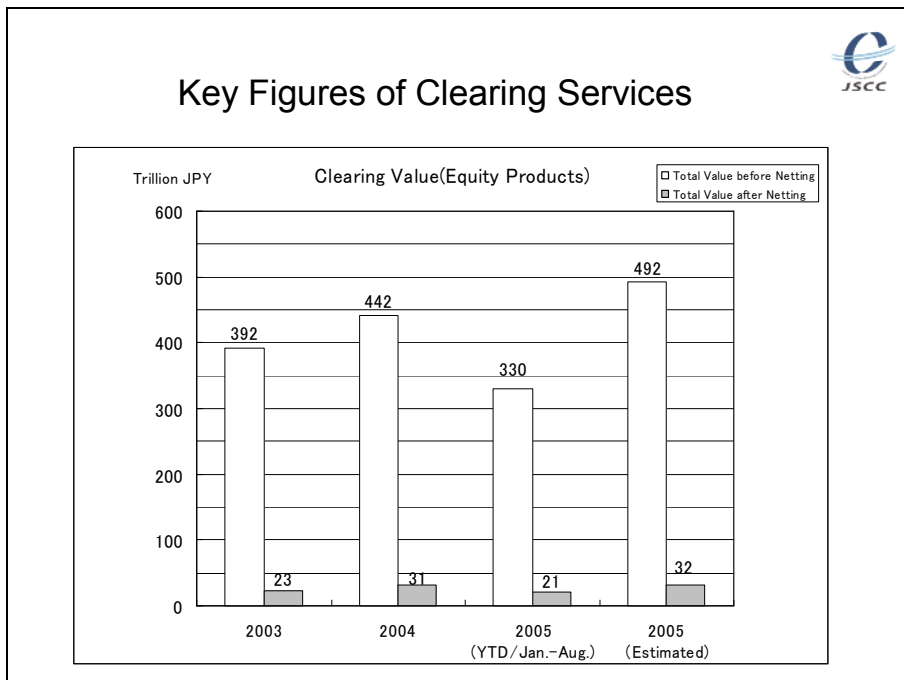
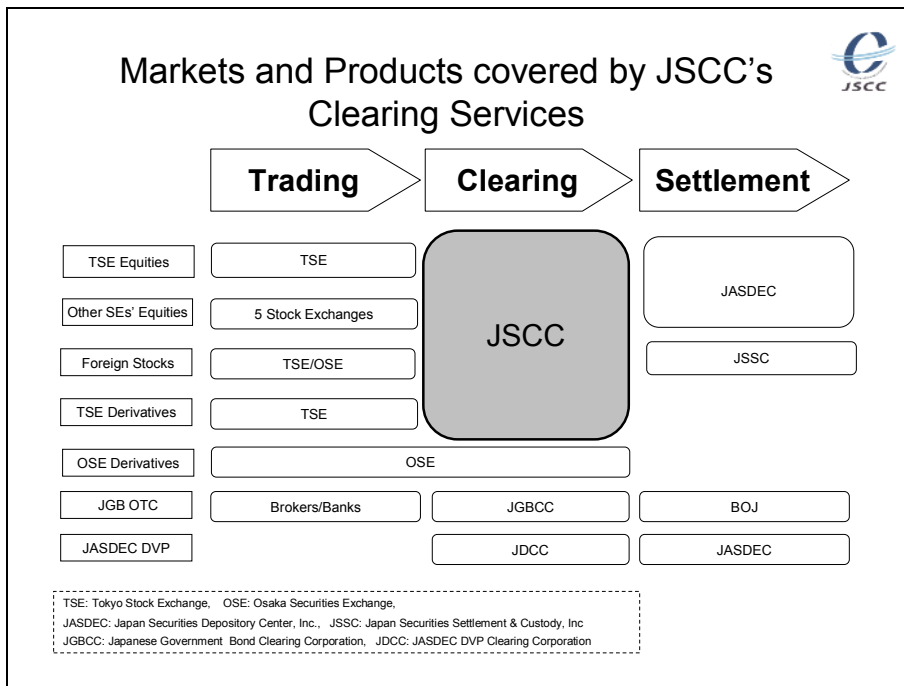
- National Level
 - Discussion for reform of settlement system in Japan
- Industry Level
 - Market needs

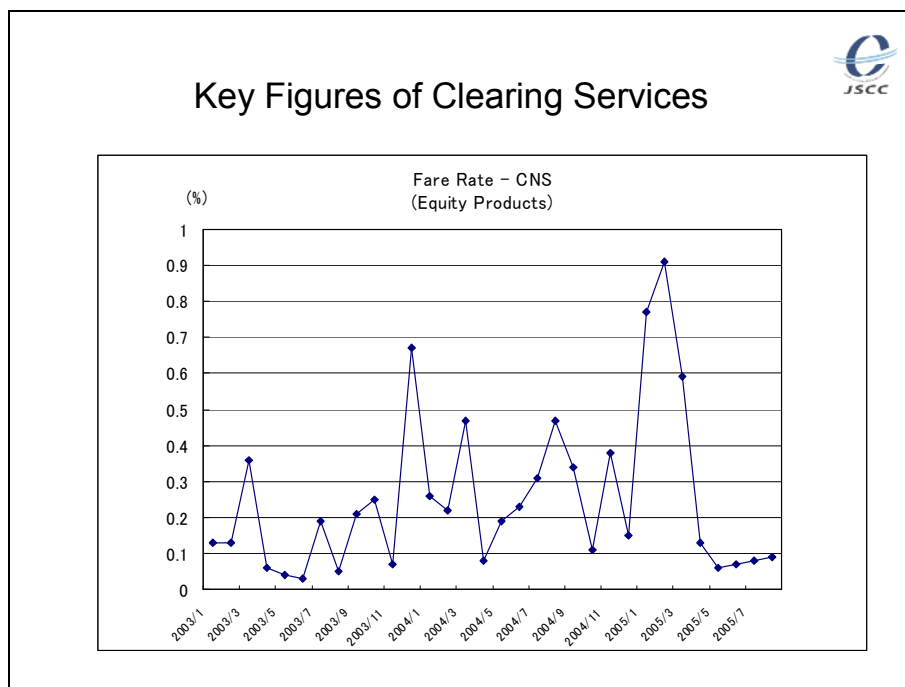
Profile of JSCC



- Commencement of Operations
 - January 14, 2003 (originally established in July 1, 2002)
 - * TSE derivatives; February 2, 2004
- Legal Background
 - Licensed by Securities and Exchange Law of Japan as “Securities Transactions Clearing Organization”
- Services
 - Netting
 - CCP (Novation)
 - Settlement instructions of cash and securities
 - Guarantee of settlement







Expansion of Business Scope of JSCC

- JSCC provides following services to:
 - JASDEC DVP Clearing Corporation (JDCC)
 - Monitoring of participants
 - Japan Government Bond Clearing Corporation (JGBCC)
 - Monitoring of participants
 - Qualification process



Challenges for the Future

- Improvement of service quality
 - Risk control measures

- Strengthening of the business and financial foundation
 - Next generation system
 - Risk management
 - Fee structure

- Cooperation with domestic and overseas CCPs



For further information,

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