

Overview of New System (January 2014)

Japan Securities Depository Center, Inc.



Main features of new system

<p>■ Stronger systems foundation</p>	<p>• In addition to replacing hardware, the systems structure has been revised with the aim of providing an even higher level of reliability and efficiency. Network connections between JASDEC and users have also been consolidated compared to the separate connections for each user interface that characterized the previous system.</p>
<p>■ Reduced settlement risk</p>	<p>• Based on the report Development of Institutional Frameworks Pertaining to Financial and Capital Markets announced by the FSA in January 2010, JASDEC has constructed a scheme to reduce settlement risk in SLB (Stock Lending and Borrowing) transactions, known as 'DVP settlement for SLB'.</p>
<p>■ Alignment with international standards (ISO20022 compliance)</p>	<p>• For the Pre-Settlement Matching system (PSMS) and Book-entry transfer system, the next-generation international standard messaging format ISO20022 has been adopted, and system connectivity is now also available through SWIFTNet.</p>
<p>■ Introduction of tolerance matching for non-residents' transactions</p>	<p>• A tolerance matching function has been added to PSMS, as introduced in the main markets of Europe, North America and Asia.</p>
<p>■ Increased convenience and efficiency for users</p>	<p>• Based on user feedback to various subcommittees, a number of system improvements have been implemented to improve convenience and efficiency.</p>

1. Main aspects of stronger systems foundation

■ Migration to open system

- The shareholder notification system (shareholder notification host) has been changed to an open system.

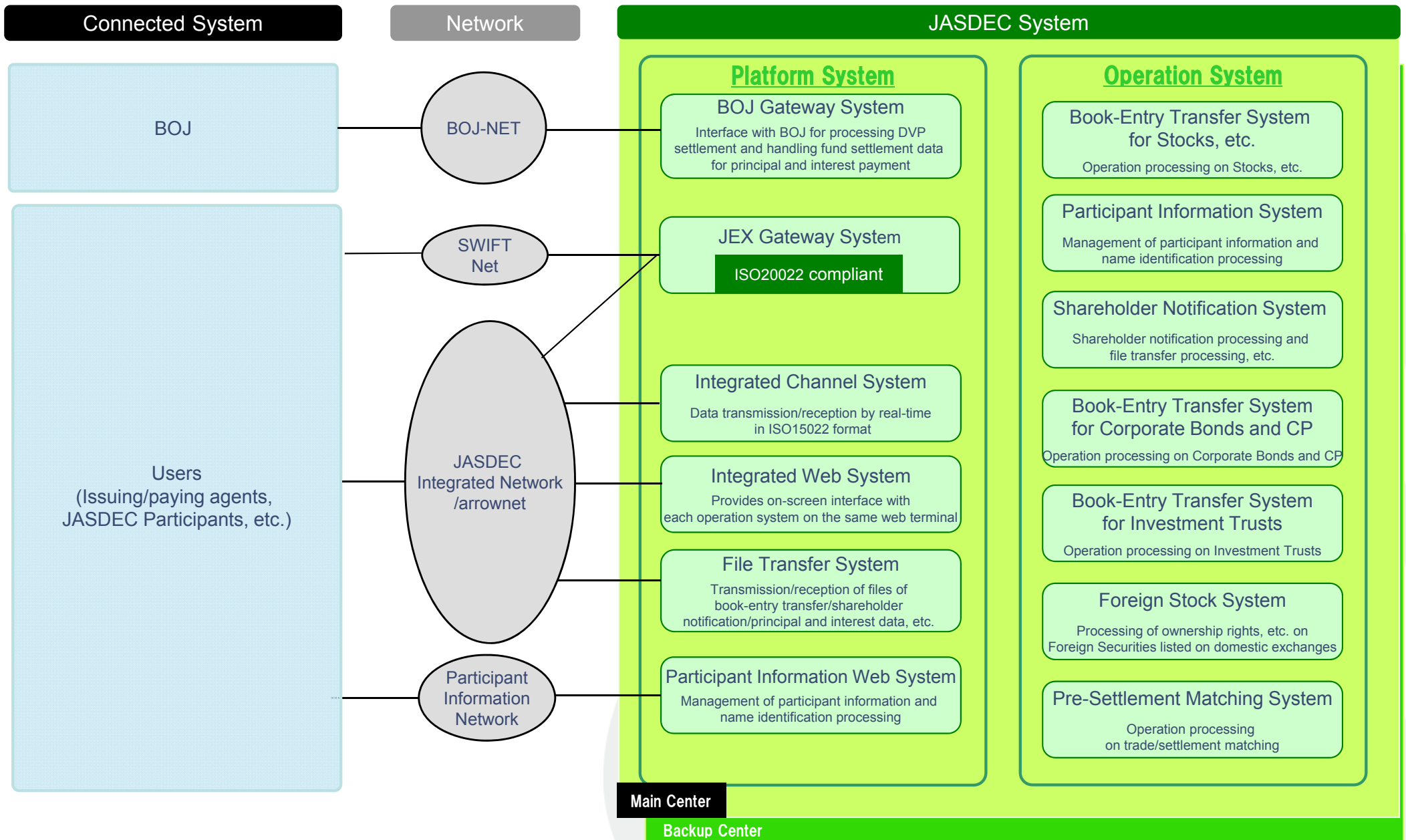
■ Review of external network

- In external network systems, separate connections for each user interface have been consolidated.

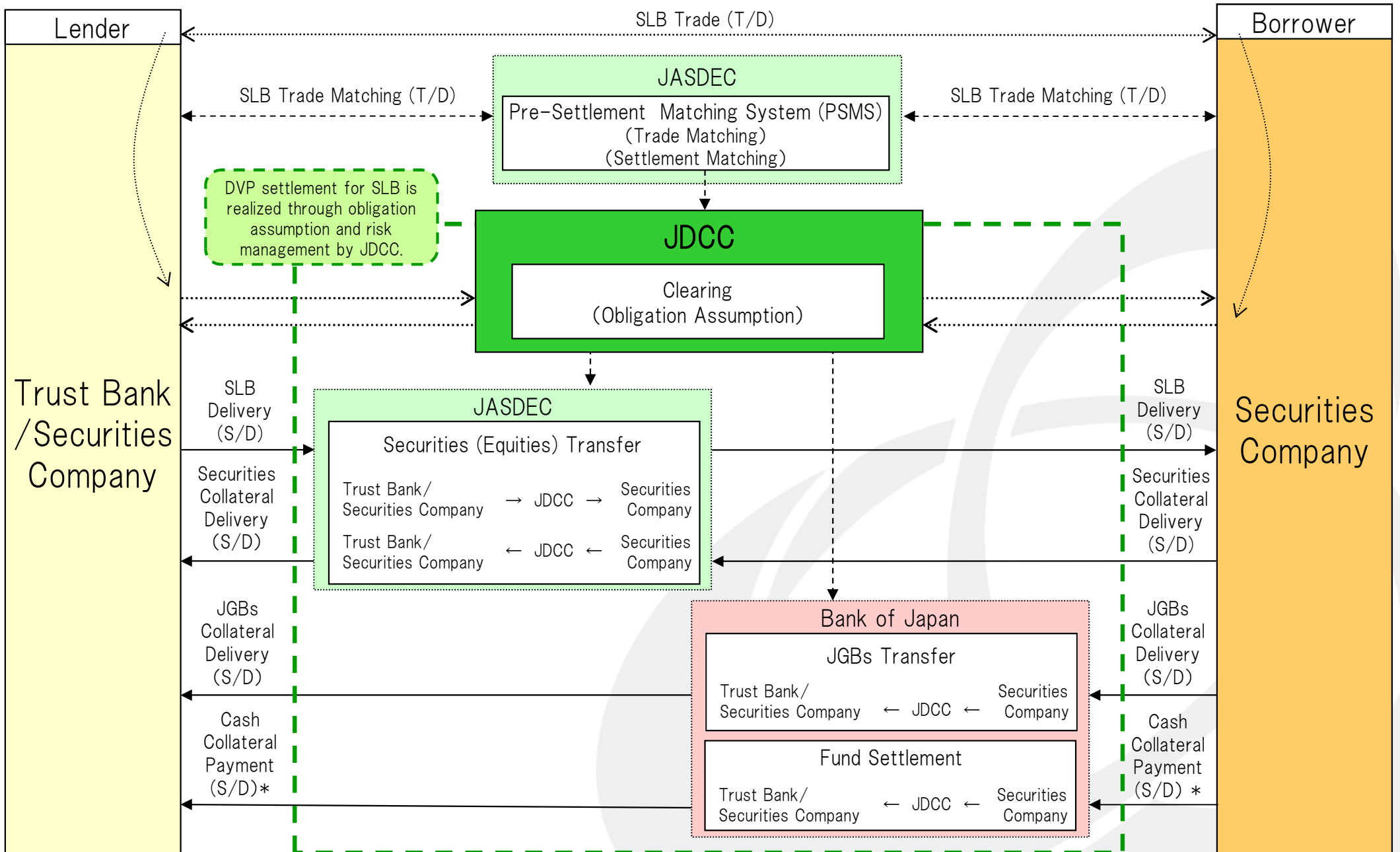
■ Renewal of system equipment

- In addition to replacing system hardware and storage, the systems structure has been revised with the aim of providing a higher level of operational efficiency.

2. Conceptual diagram of new system



3. Settlement risk reduction scheme (DVP settlement for SLB)



4. Alignment with international standards (ISO20022 compliance)

■ Establishment of JEXGW system and discontinuation of existing integrated channel system

- A new JEXGW online gateway system has been constructed to enable the sending and receiving of messages in the ISO20022 format. The new gateway will operate in parallel with the legacy online real-time integrated channel system for five years (from January 2014 until December 2018), after which the legacy system will be discontinued.

■ Connectivity network

- Users are now able to connect to the JEXGW system via the JASDEC Integrated Network, arrownet or SWIFTNet.

5. Introduction of tolerance matching for non-residents' transactions

- ◆ In settlement matching for non-residents' transactions by PSMS, discrepancies in settlement amounts between the settlement instruction data sent by the delivering and receiving settlement agents are deemed “matched” if such discrepancies are within the tolerance amount limit (100 yen). This tolerance matching function leads to increased efficiency of settlement matching process for users by eliminating the need to investigate the cause of discrepancies, modify settlement instruction data, and perform the re-matching process.

Before January 2014

After January 2014

