Book-Entry Transfer System for Investment Trusts

Japan Securities Depository Center, Inc. (JASDEC)
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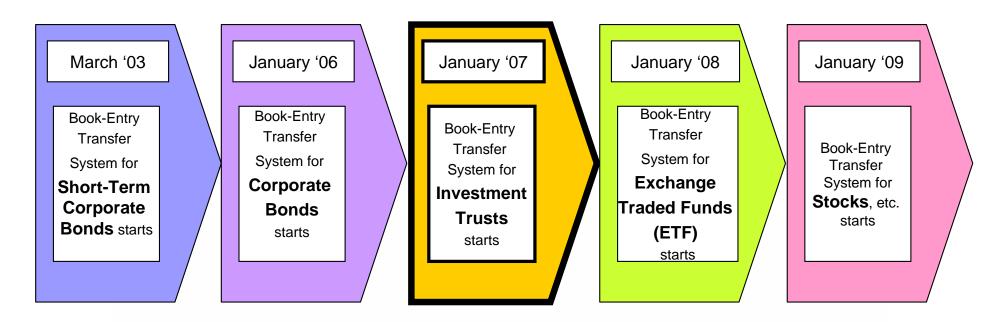


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1. Implementation of the Book-Entry Transfer System for Investment Trusts







2. What is the Book-Entry Transfer System for Investment Trusts?

It is a system that allows beneficial rights of investment trusts to be electronically recorded on the account books handled by JASDEC, securities companies, banks and other financial institutions.

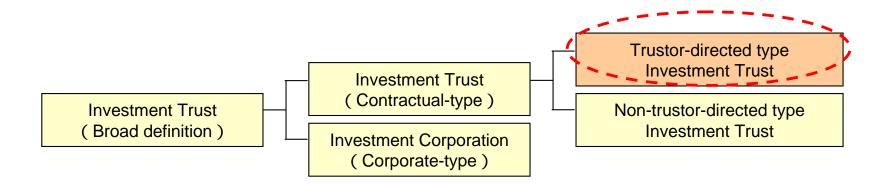
Merits

- Due to dematerialization, this system reduces costs associated with the issue and management of beneficial certificates, as well as risks from loss, theft or forgery.
- Rights are registered on the date of settlement. The clarification of rights can be performed more rapidly (beneficial certificate issuance takes time).
- Delivery Versus Payment (DVP) settlement reduces settlement risk.
- Straight-Through Processing (STP) improves administrative efficiency.



3. Eligible type of Investment Trusts

The system is for Trustor-directed type Investment Trusts, as prescribed in the Act on Investment Trust and Investment Corporations.



NOTE1: The Trustor-directed type Investment Trust consists of three parties: the trustor, trustee and beneficiary. Most of investment trusts operating in Japan are of this type. The Non-trustor-directed type Investment Trust consists of the trustee and the beneficiary.

NOTE2: Due to a lack of needs and other reasons, the system does not handle the Non-trustor-directed type Investment Trusts, foreign investment trusts, parent investment trusts, etc. JASDEC's Book-Entry Transfer System for Stocks, etc. handles Exchange Traded Funds (ETFs) and investment securities issued by investment corporations.

NOTE3: The requirement for an investment trust handled by the JASDEC's Book-Entry Transfer System for Investment Trusts is that the Issuer must agree for the investment trust to be handled by the system in addition to being a Trustor-directed type Investment Trust.



4. System structure

The Book-Entry Transfer System for Investment Trusts consists of the following parties: the Issuer (an investment trust management company), Account Management Institution, Participants, Fund Distributor, Trustee and the Fund Settlement Corporation.

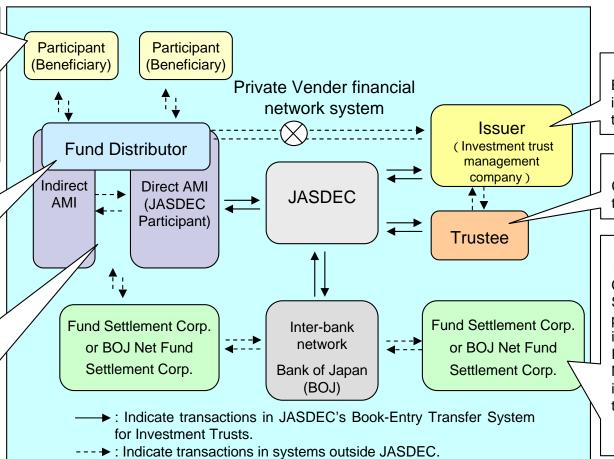
[Participants]

Those for whom JASDEC or an **Account Management Institution** have opened accounts to enable the book-entry transfer of investment trusts. JASDEC Participants are those for whom JASDEC has opened their account.

(Fund Distributor)

Concludes a sales agreement with the Issuer and sells the investment trust. Has to be an Account Management Institution (AMI).

[Account Management Institutions] Open accounts and transfer the beneficial rights of investment trusts for other parties. Direct AMIs are those whose accounts are opened by JASDEC; Indirect AMIs are those whose accounts are opened by Direct AMIs (this enables a multilayered structure).



(Issuer)

Establishes and operates the investment trust (is an investment trust management company).

[Trustee]

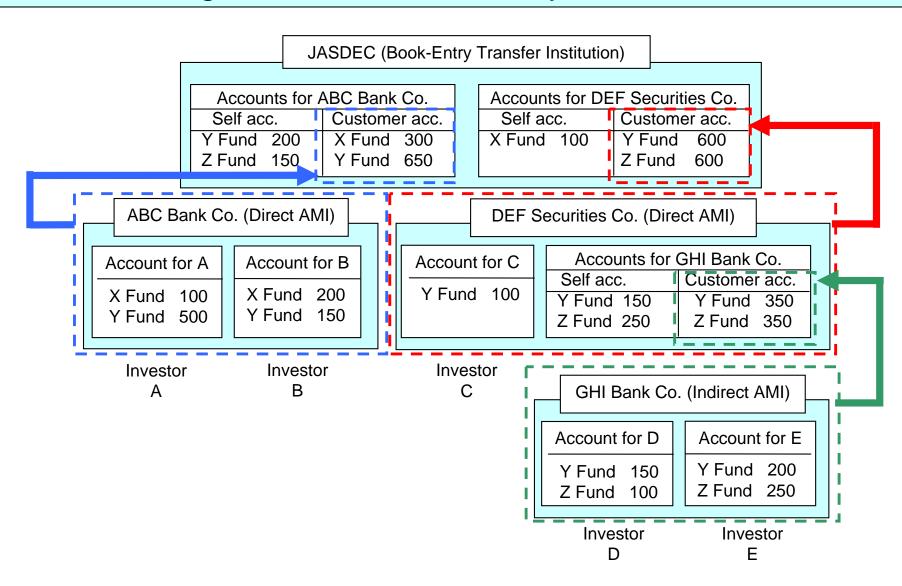
Concludes trust agreements with the Issuer.

[Fund Settlement Corporation (BOJ Net Fund Settlement Corporation) 1 Settles funds relating to the purchase or redemption of an investment trust on behalf of the Issuer or Fund Distributor, A BOJ Net Fund Settlement Corporation is a Fund Settlement Corporation that uses DVP settlement.



5. Multi-layered account management

Account management can be multi-layered.





6. Transfer Account Book (TAB)

Classified Accounts in JASDEC's Transfer Account Book

Self account

Accounts recording the beneficial rights of JASDEC Participants

Holding account

Accounts recording the beneficial rights of JASDEC Participants

Trust account

Trustee accounts recording the beneficial rights of the assets in trust

Pledge account

Accounts recording the beneficial rights of pledgees

Pledge trust account

Trustee and pledgee accounts recording the beneficial rights of the assets in trust

Customer account

Accounts recording the beneficial rights of Direct AMI's Participants or Participants of other lower-positioned institution

[Matters recorded in the TAB]

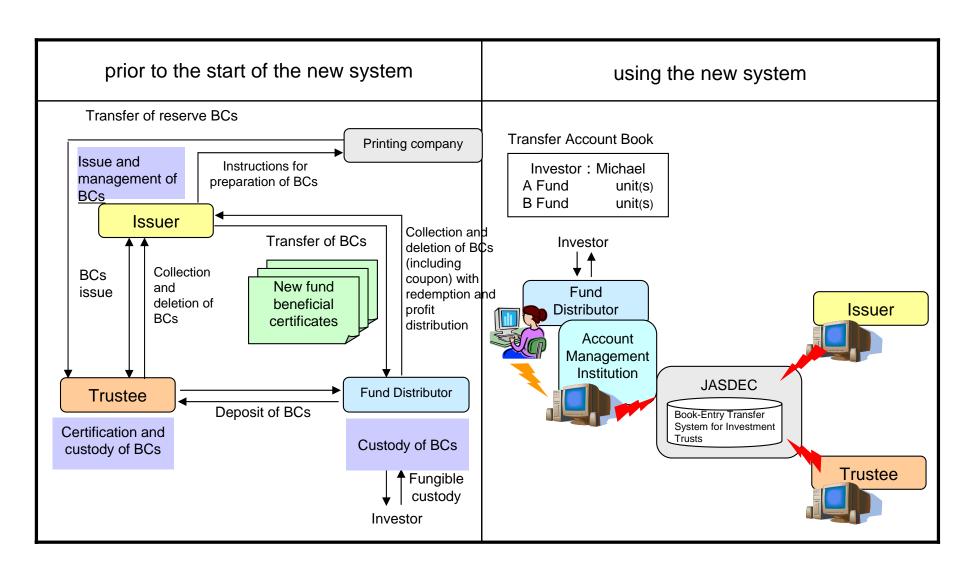
- · Participant's name
- Participant's address
- Name of investment trust
- The number of units, and number of units of increase and decrease, of each issue of the beneficial rights in the account
- Any restriction on disposition of the beneficial rights
- Other matters prescribed by the Enforcement Order

Note: Classified Accounts in AMIs are the same as shown above.



7. Dematerialization of beneficial certificates

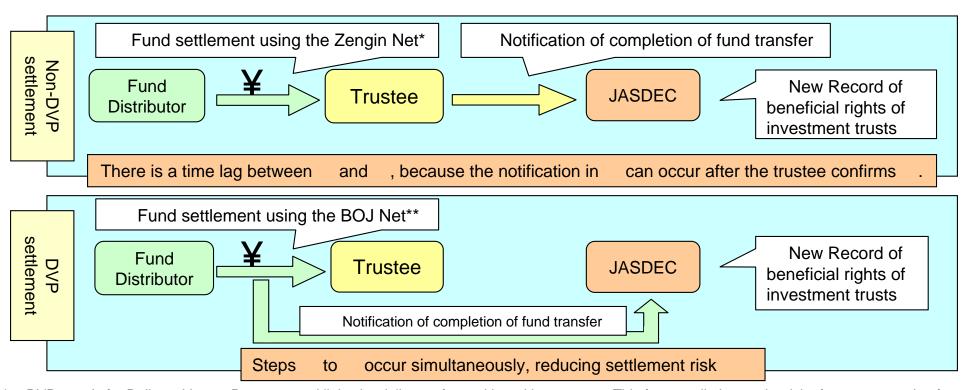
Dematerialization of beneficial certificates (BCs) lowers costs of issue and custody of physical certificates.





8. The DVP settlement process

The Book-Entry Transfer System for Investment Trusts supports DVP settlement (using the BOJ Net) in the purchase and redemption of beneficial rights of investment trusts.



Note 1 DVP stands for Delivery Versus Payment, and links the delivery of securities with payments. This feature eliminates the risk of someone paying for securities but not receiving them.

Note 2 The chart above shows the process flow in the purchase of beneficial rights of investment trusts. In the case of redemption, the positions of the fund distributor and the trustee are reversed.

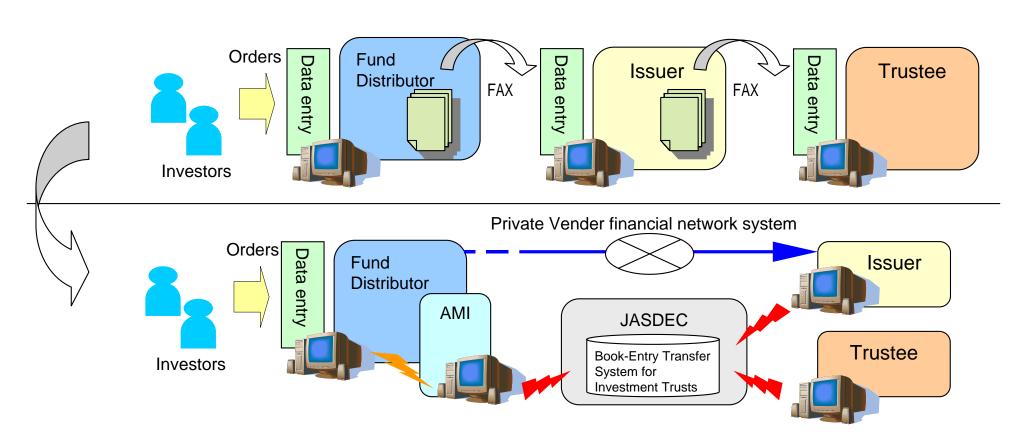
*Zengin Net (Japanese Bankers Association financial network system) is a computer network linking financial institutions to allow them to make fund settlements online.

**BOJ Net (the Bank of Japan Financial Network System) is a computer network linking the Bank of Japan with financial institutions to enable the online settlement of funds and government bonds. In the Book-Entry Transfer System for Investment Trusts, DVP settlement is carried out by book-entry transfer between current accounts of financial institutions at the BOJ.



9. Straight-through processing (STP)

STP has been improved by operating the JASDEC system to receive and send data between parties.



Note: STP stands for "straight-through processing". The securities transactions and payment transactions are processed electronically without manual handling.



10. Process overview

(Example of New Record via DVP associated with purchase)

