

# Book-Entry Transfer System for Stocks, etc.

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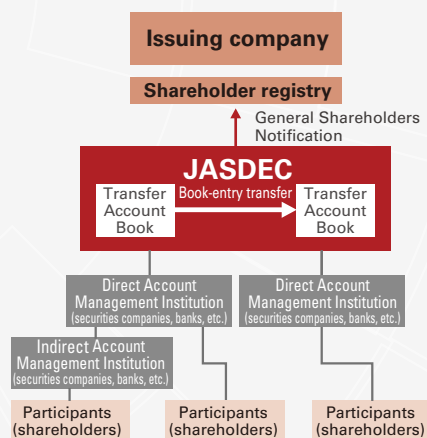
## The Book-entry Transfer System for Stocks, etc. is operating to plan

The Book-entry Transfer System for Stocks, etc. began operations in January 2009. Stock certificates issued by all Japanese companies listed on Japanese stock exchanges were abolished and became invalid. They were replaced by electronic records registered and managed by computer systems within accounts opened at JASDEC or account management institutions (AMIs) such as securities companies and banks. Instead of stock certificates, records in computer systems represent share ownership. Transfer of shareholders' rights is also processed electronically based on the records in the accounts. This dematerialization system applies not only to stock certificates, but also to bonds with share options, share options, investment units of Real Estate Investment Trusts (REIT), preferred equity investment of financial institutions

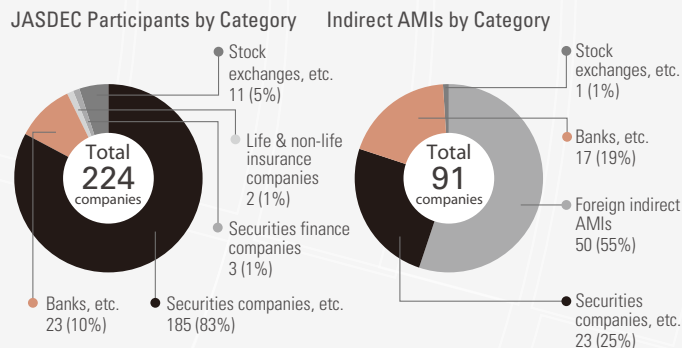
established by cooperative associations, Exchange Traded Funds (ETFs), Japanese Depositary Receipts (JDRs) and other negotiable securities.

As of March 2011, the total number of issues handled was 3,819, including 3,640 share issues, 43 bonds with share options, 5 share options, 37 investment units, one preferred share issue, 89 ETFs, and 4JDRs. The number of companies participating in the new system, including JASDEC participants, indirect AMIs, and fund settlement corporations, was 420. Under the system, foreign financial institutions designated by competent ministers can also take part in the system. As of March 2011, 50 foreign financial institutions were participating as indirect AMIs.

The Book-Entry Transfer System for Stocks, etc.



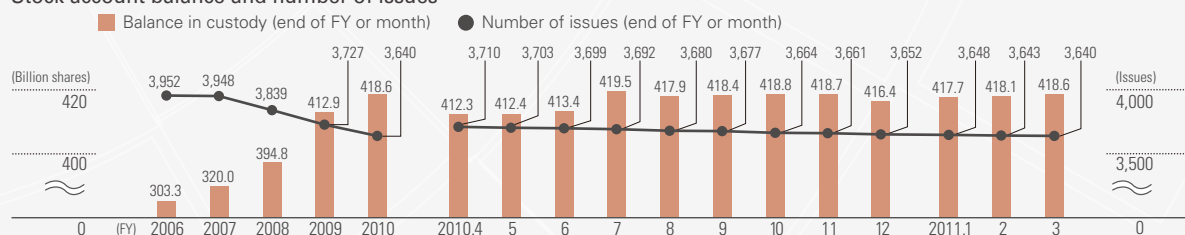
JASDEC participants and indirect AMIs (as of March 31, 2011)



Note: "Banks, etc." include The Norinchukin Bank, Tokyo Shoken Shinyou Kumiai, and Japanese Banks' Payment Clearing Network.

"Stock exchanges, etc." include Japan Securities Dealers Association, Japan Securities Clearing Corporation, JASDEC DVP Clearing Corporation, three securities agents and three Tanshi companies (which offer short-term credit brokerage services)

Stock account balance and number of issues



\* Figures include the Depository and Book-entry Transfer System for Stock Certificates.

## Ongoing enhancements to increase user convenience

Since its introduction in January 2009, the dematerialized Book-entry Transfer System for Stocks, etc. has been operating smoothly, with no major problems. JASDEC has organized three subcommittees to examine further improvement of the new system: the Subcommittee for Stocks, the Subcommittee for Bonds with Share Options, and the Subcommittee for ETFs. These committees have promoted a number of initiatives.

From July 2010, the Act on Transfer of Bonds, Shares, etc. was applied to Japanese Depositary Receipts (JDRs) provided for in the Trust Act, and the depository and book-entry transfer of Japanese Depositary Receipts (which had until then been performed separately) was brought into the Book-entry Transfer System for Stocks, etc., and we began processing four issues of domestic ETFs.

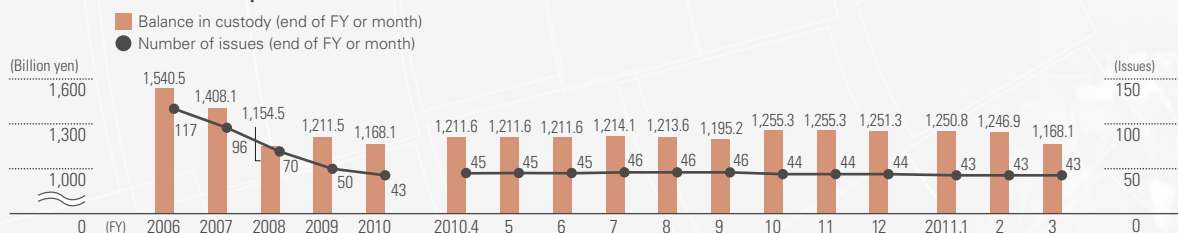
For the issue of share options, we are working to reduce the general shareholders notification period to shorten the

processing time prior to the date of rights allocation of share options without compensation. For the individual shareholder notification, we are working to reduce the number of days between the time the shareholder applies for the notification procedure and the time the issuer receives the notification.

We expect to renew each of the systems in our book-entry transfer system for stocks, etc. in January 2014. Together with this renewal, we will make improvement where necessary in the current system and change the system specifications. We have notified all the parties involved with this system of the changes that we plan to make.

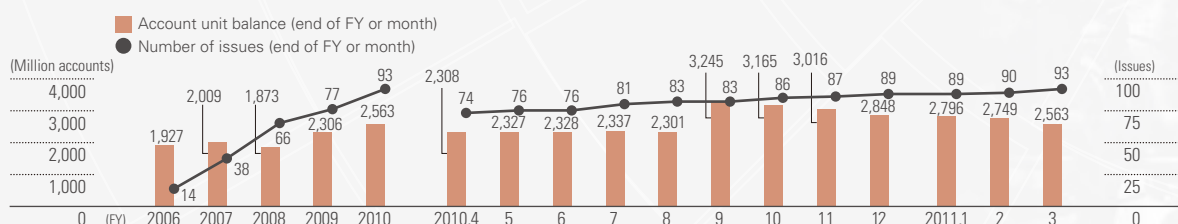
We will continue our efforts to communicate effectively with relevant parties, aiming to ensure stable operation while meeting the needs of the market for convenience and user-friendliness.

### Bond with Share Option account balance and number of issues



\*Figures include the Depository and Book-entry Transfer System for Stock Certificates.

### Exchange Traded Fund (ETF) etc., account balance and number of issues

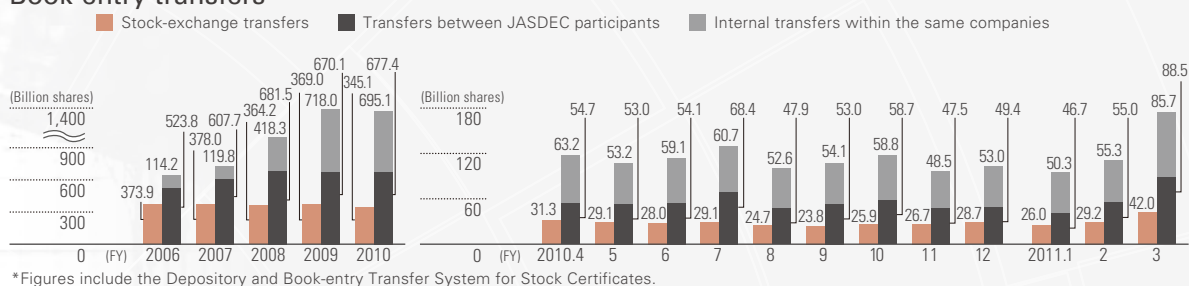


\*Figures include the Depository and Book-entry Transfer System for Stock Certificates.

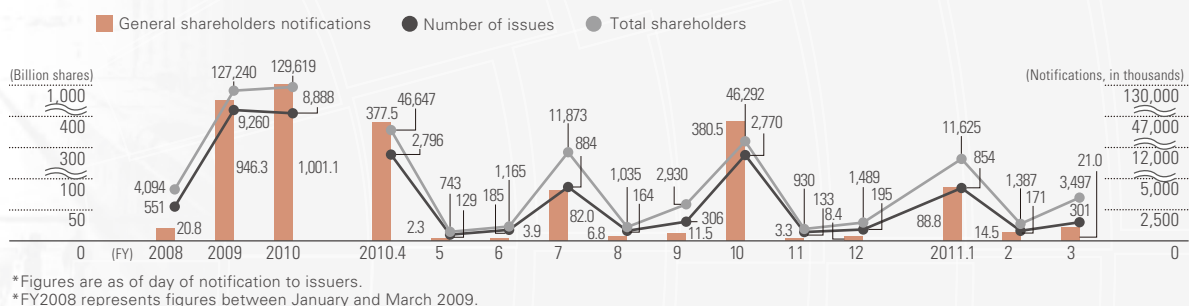
\*Figures include Japanese Depositary Receipts from July 2010.



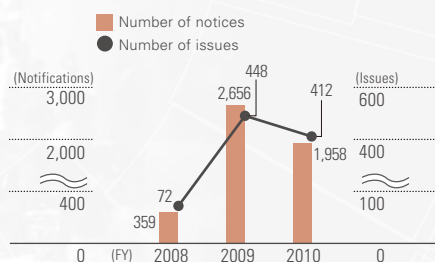
## Book-entry transfers



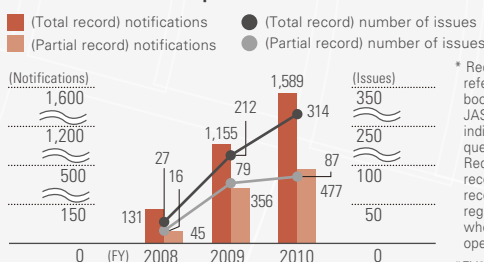
## General shareholders notifications



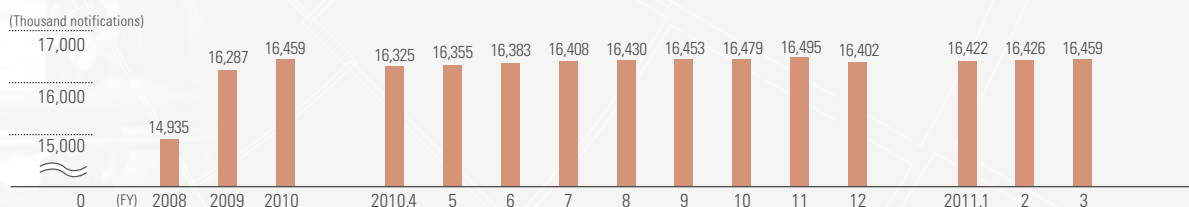
## Individual shareholder notifications



## Information requests



## Number of shareholders (Data for Shareholders Notifications)



# Book-Entry Transfer System for Commercial Paper and Corporate Bonds

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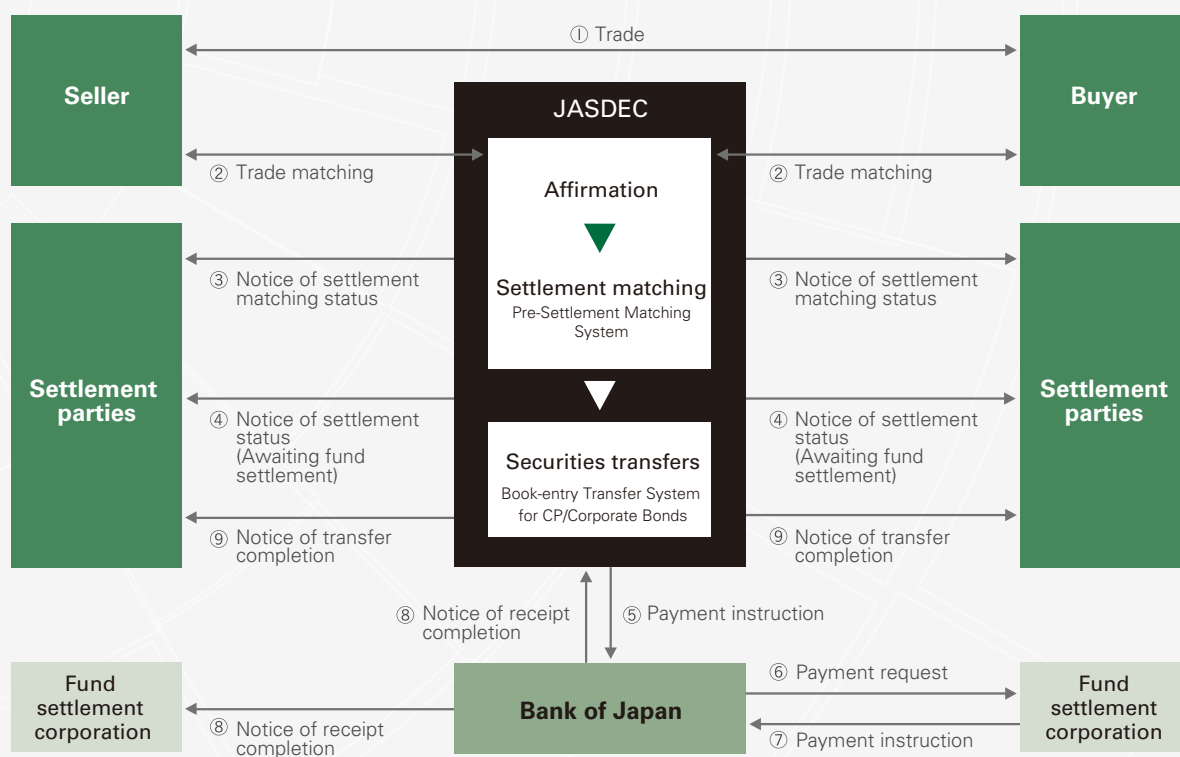
## Supporting seamless and secure CP and corporate bond settlement

In March 2003 JASDEC launched the Book-entry Transfer System for Short-Term Corporate Bonds (dematerialized CP), the first completely dematerialized financial instrument in Japan, and in January 2006 this was extended to include corporate bonds. In each system, custody procedures—issuance, transfer (trading), and redemption—are conducted based on the balance electronically recorded in the transfer account books. In addition, all transactions related to issuance, transfer and redemption of CP and corporate bonds can be processed by the DVP settlement link with the Bank of Japan's Financial Network System. By linking the book-entry transfer system with its PSMS (Pre-Settlement Matching System; see page 30), JASDEC has realized straight-through

processing (STP), which fully automates the entire process, including trade matching and fund/securities settlement.

As a means of managing participation in JASDEC's book-entry transfer system, we set up a multilayer holding structure for account management institutions (AMIs) to address the diverse needs of participating investors and financial institutions. Direct AMIs can open an account directly at JASDEC, and indirect participation is possible by opening an account at an AMI. Another option for indirect participation is through the opening of an account at an indirect AMI. Principal and interest payments to bondholders are made by paying agents via AMIs, in accordance with the multilayered structure.

Flowchart for Book-Entry Transfer for CP/Corporate Bonds (in the case of DVP)





## Enhancing CP transaction transparency

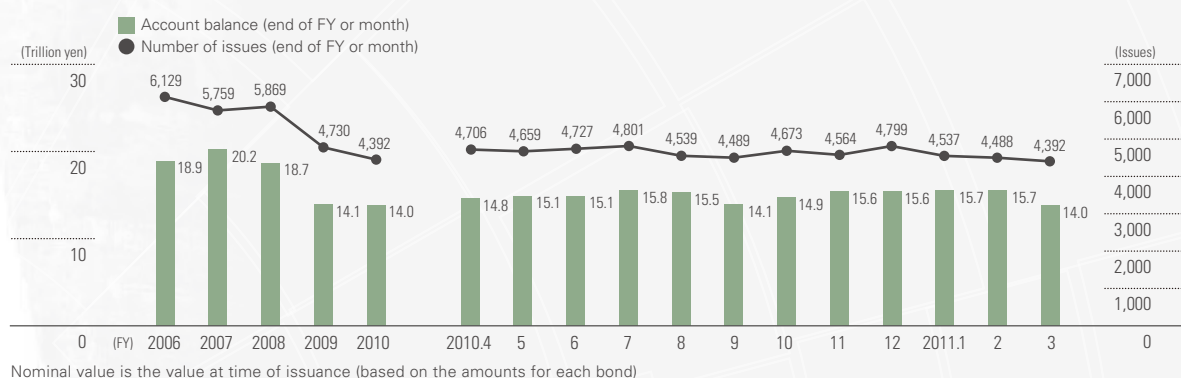
Commercial paper (CP) currently refers to short-term corporate bonds in a dematerialized form issued by corporate entities as a means of procuring short-term funds. As CP was previously drawn as a promissory note in a physical form, risks involved in the transfer and deposit of notes for large amounts were not always avoidable, and a documentary stamp tax was also payable. Accordingly, demand developed for an electronic book-entry system that would eliminate the need for paper certificates. The result was the creation of our first fully electronic book-entry transfer system for dematerialized CP. Since the launch of the system eight years ago, almost all CP issued in Japan has been handled by this system.

Fiscal 2010 (to March 31, 2011) was largely unaffected by anything except for the Great East Japan Earthquake that occurred at the end of the financial period, and our account balance and number of issues continued at around about the same level as in the previous financial period. As of March 31, 2011, the total CP account balance in the system was ¥14,033.2 billion (a year-on-year decline of ¥85.2 billion) on 4,392 issues (a year-on-year decline in the number of issues of 338).

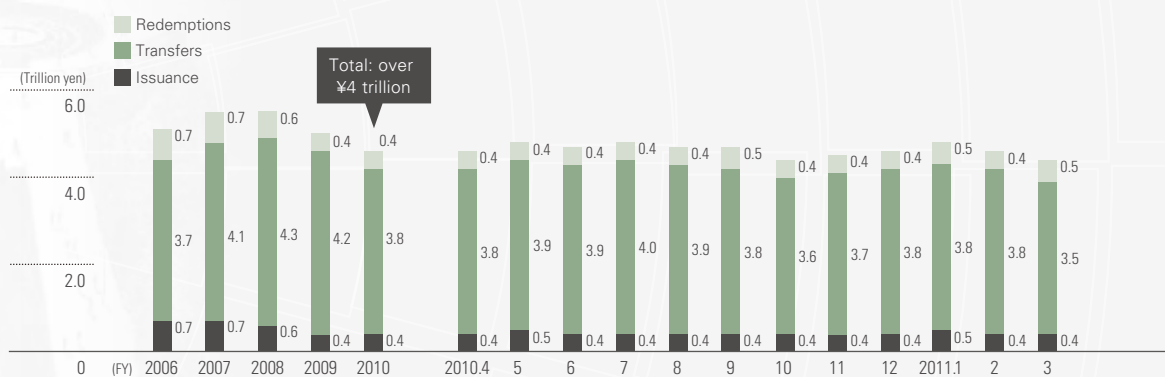
### Participants in Book-Entry Transfer System for CP (as of the end of March 2011)



## CP account balance (nominal value) and number of issues



## Issuance, transfer and redemption of CP (daily average)



## Continually adapting to CP market needs

The settlement amount of issuance, transfer, and redemption of CP handled by JASDEC's book-entry transfer system may exceed ¥5 trillion per day, and in combination with month-end settlements of more than ¥10 trillion this means that JASDEC settlements surpass the trading value per day at the Tokyo Stock Exchange. In fiscal 2010, although the aggregate issuance amount declined, the aggregate settlement was close to the ¥1,000 trillion mark, indicating the continuation of active trading since the start of the system.

This huge settlement amount reflects the importance of CP, which plays a crucial role in fund procurement by business entities in Japan. As a provider of infrastructure for the settlement of securities transactions, JASDEC fully recognizes its responsibility to secure a high level of reliability in the book-entry transfer system. As the market for CP transactions evolves, we will continue to make every effort to ensure that our system remains responsive, reliable and up-to-date.



## Expanding functions to increase convenience and efficiency

JASDEC's Book-entry Transfer System for Corporate Bonds handles various types of bonds, both through public offerings and private placements. These include corporate bonds, municipal bonds, bonds issued by investment firms, specified bonds issued by special purpose companies (SPCs), bonds of special corporations such as quasi-government and local government bodies, and Samurai bonds (yen-denominated bonds issued in the Japanese bond market by non-Japanese entities or foreign governments) and others.

In fiscal 2010, most companies actively raised finance in the climate of low interest rates. Although the Great East Japan Earthquake at the end of the fiscal year slowed this activity, fiscal 2010 recorded the highest balance of bonds since the start of the Book-entry Transfer System for Corporate Bonds, surpassing ¥250,000 billion. As of the end

of March 2011, the number of bonds eligible in the system was 67,788 issues (a year-on-year decline of 3,414 issues), and the issue balance stood at ¥250,073.9 billion (a year-on-year increase of ¥4,521.6 billion).

Continuing on from the previous fiscal year, although there were a number of defaults on obligations to public bonds, due to the ongoing economic recession and other factors, JASDEC contacted the parties at an early stage and worked with them to ensure optimal information flow and cooperation.

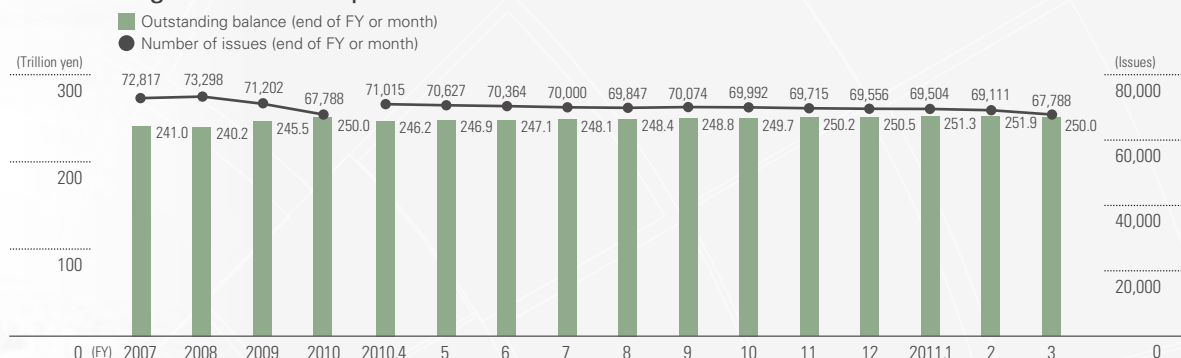
We expanded the range of information disclosure concerning bond issuance and made other improvements to the functionality of our systems as part of our efforts to raise the level of convenience to our system users.

### Participants in Book-Entry Transfer System for Corporate Bonds (as of the end of March 2011)



\*Issuers do not include unlisted companies, etc. that issued private offering bonds only.

### Outstanding balance of corporate bonds and number of issues



## Promoting investments in Japanese bonds by non-residents

Investments in domestic securities by non-residents already account for a significant proportion of the total investment in Japanese securities market. To raise the position of Japan's capital markets in the world, however, market functions must be upgraded so as to attract more foreign investors. In January 2008, a system for tax exemption for non-residents on the interest accrued on municipal bonds was inaugurated, following a system similar to that used for Book-entry Transfer of Japanese government bonds. Moreover, since June 1, 2010, in response to the inclusion of bonds other

than municipals in the scope of tax exemptions for non-residents, we have begun to take appropriate measures to promote the globalization of Japanese capital markets. As a result, the number of participating foreign indirect Account Management Institutions (AMIs) has greatly increased (23 more companies than at the end of the previous fiscal year). The total outstanding balance of non-resident accounts at the end of March 2011 stood at ¥930.5 billion (a year-on-year increase of ¥811.1 billion), and the number of issues held by non-residents was 320 (a year-on-year increase of 286).

# Book-Entry Transfer System for Investment Trusts

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## A faster, safer approach to investment trust administration

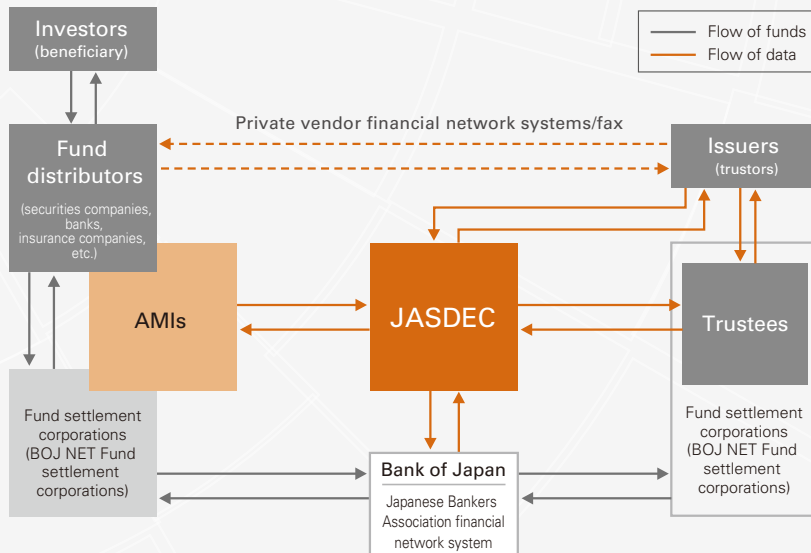
The Book-entry Transfer System for Investment Trusts is a computer system for managing beneficial rights of investment trusts.

The system covers investment trusts managed by trustors (hereinafter, simply called “investment trusts”). These investment trusts are contract-type investment trusts with the involvement of three parties—a trustor, a trustee and a beneficiary who is an investor in the investment trust. (Exchange traded funds (ETFs) and investment trusts of the non-trustor instruction type are outside the scope of the system.) Since the system was launched on January 4, 2007, all trustors and trustees involved in investment trusts have participated in the system, and thus almost all investment trusts issued in Japan have been dematerialized.

The account management institutions (AMIs) and JASDEC participants are diverse, consisting of not only securities companies but also entities such as banks, insurance companies, Shinkin banks, credit cooperatives, agricultural cooperatives, and investment trust management companies engaged in direct marketing. The total number of AMIs and JASDEC participants was 881 companies as of March 31, 2011.

The Book-entry Transfer System for Investment Trusts enables direct or indirect connection between trustors, trustees, account management institutions, and JASDEC. This ensures greater security, accuracy, and speed of processing through the electronic management of the accounts of investment trust beneficiaries.

Basic Model of Book-entry Transfer System for Investment Trusts



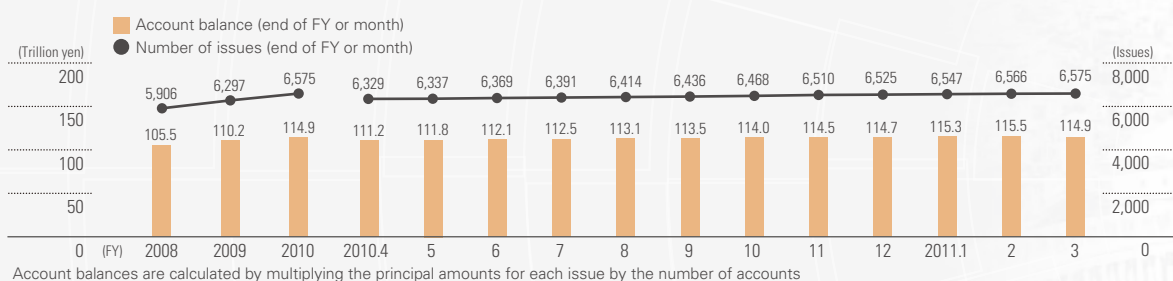
## Strong support from users

The total number of investment trusts handled by JASDEC as of March 31, 2011 was 6,575 trusts, representing a year-on-year increase of 278 trusts and comprising 3,885 publicly offered and 2,690 privately placed investment trusts. The number of transactions undertaken for both new registrations (purchases) and deletions (cancellations and redemptions) achieved new record highs, with the number of new registrations below that of deletions. On the other hand, the principal value of new registrations exceeded that of deletions, a continuation of the situation in fiscal 2009. As a result, the outstanding balance at the end of fiscal 2010 had increased ¥4,665.2 billion year on year to ¥114,917.0

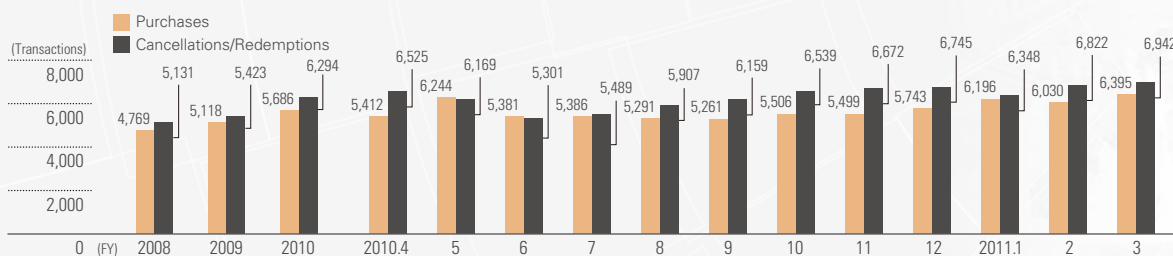
billion, comprising ¥83,127.2 billion in publicly offered and ¥31,789.8 billion in privately placed investment trusts.

Fund settlement systems in the Book-entry Transfer System for Investment Trusts include DVP settlement (using the Bank of Japan financial network system) and non-DVP settlement (using the Japanese Bankers Association financial network system for online fund settlement between financial institutions). The use of DVP settlement, which involves less settlement risk, has been increasing steadily among system users. In fiscal 2010, the proportion of settlements using DVP was 25% by number of transactions and 60% by principal value.

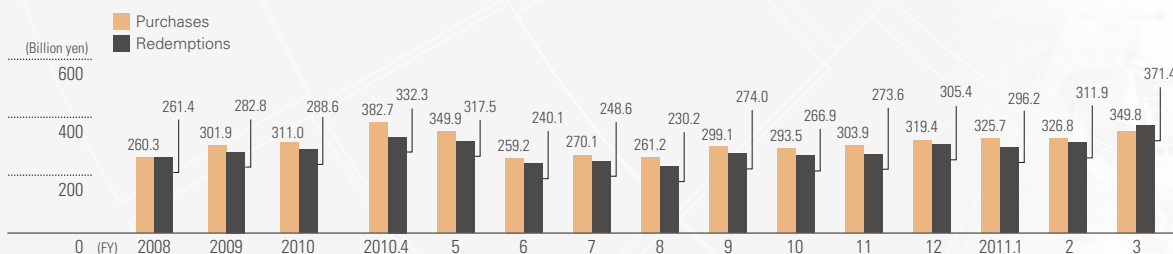
### Book-entry Transfer System for Investment Trusts—account balance and number of issues



### Purchase and cancellation/redemption transactions (Daily average)

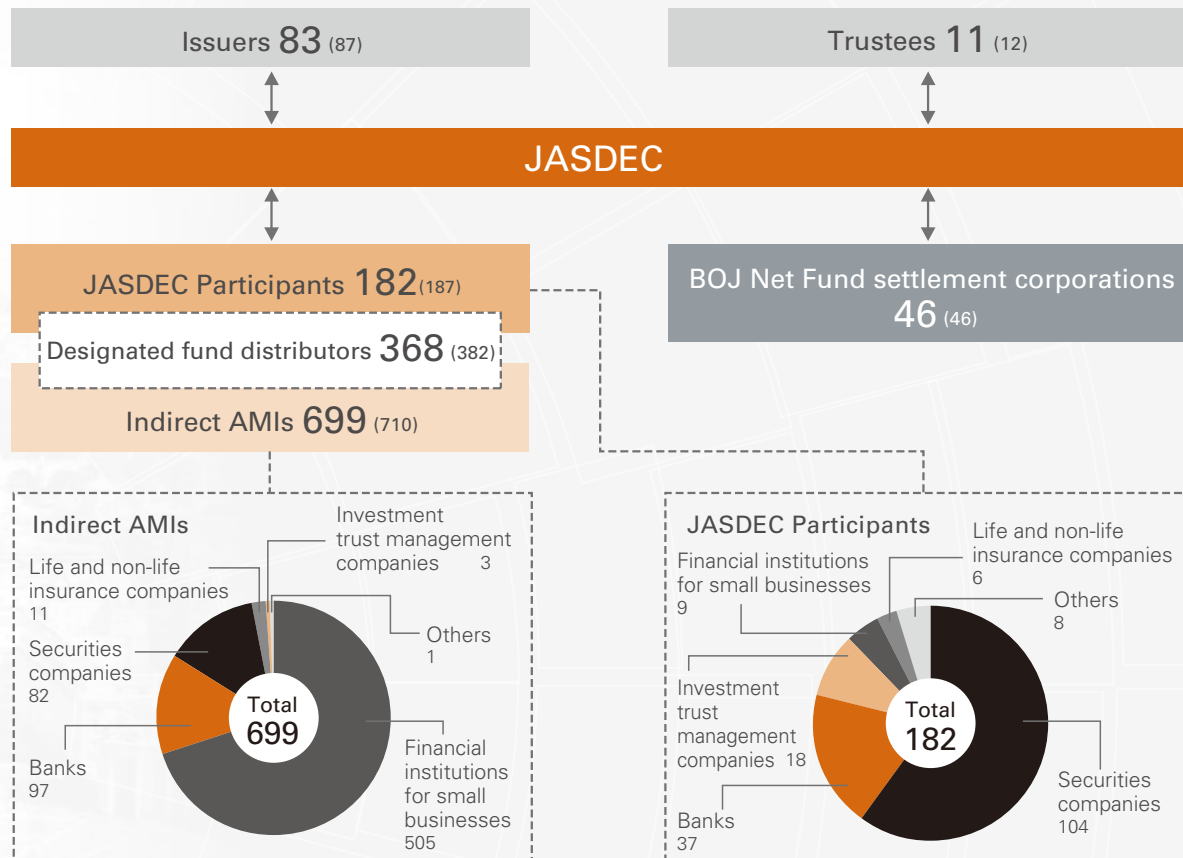


### Principal values of investment trusts for purchases and cancellations/redemptions (Daily average)



## Participants in Book-entry Transfer System for Investment Trusts

(as of March 31, 2011: Numbers in parentheses are for the previous year.)



\*Others: Securities agents, securities exchanges, CCPs, call loan dealers, etc.

## Dedicated to ongoing improvement

In response to requests made by system participants in a previous survey, we have made particular efforts in fiscal 2010 to improve the functioning of the Book-entry Transfer System for Investment Trusts. We studied proposals for comparatively major system reorganizations, such as the introduction of DVP settlement for redemptions and simplification of the procedures for settlement for transfer between fund distributors, and we prepared a scheme and have identified the issues following a feasibility study. As a result, we will add extra

functions to simplify the procedures for settlement transfer between fund distributors in the Book-entry Transfer System for Investment Trusts and are developing the System with the goal of having it begin operations in 2014.

During fiscal 2011 (to March 31, 2012) in addition to our studies into the introduction of DVP settlement for redemptions and our work on other on-going projects, we will continue efforts to optimize the functionality and user-friendliness of the system.



# DVP Settlement System for NETDs

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## Providing safe, secure securities transactions

The Non-Exchange Transaction Deliveries (NETDs) refer to Book-entry Transfers for Stocks, etc., carried out by JASDEC for non-exchange transactions, and the majority of them consist of such trades of domestic and overseas institutional investors buying and selling Japanese stocks, etc., through the DVP settlement system for NETDs.

Previously, the delivery of the securities and the payment of the settlement amounts for non-exchange transactions have mostly been processed separately, so the transactions have been exposed to the risk (principal risk) that settlement payments may not be made even though the securities have been delivered. The use of the DVP settlement system for NETDs links the delivery of the securities and the payment of the settlement amounts through the system, diminishing the risk and making it possible for securities settlements to be conducted safely and reliably. To further support reliability, the entire administrative process is handled automatically and electronically using Straight Through Processing (STP).

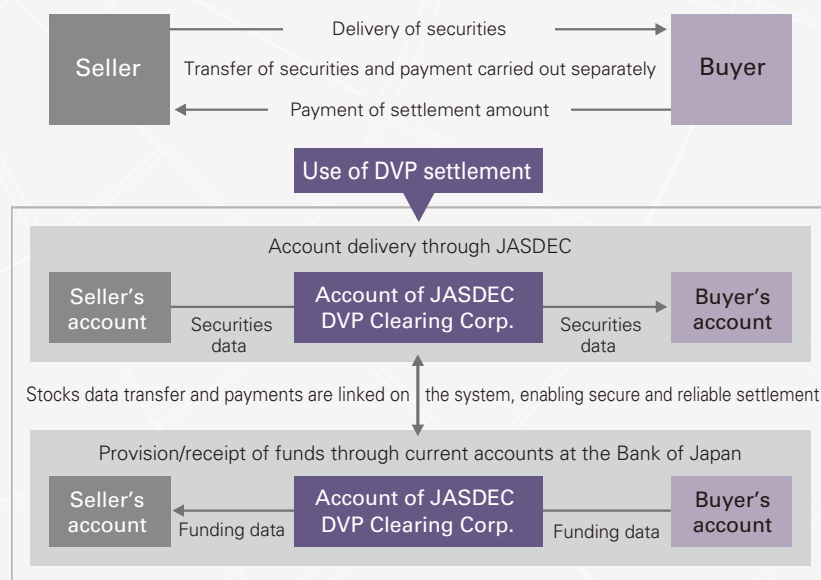
Since May 2004, the DVP settlement system for NETDs has been administered by JASDEC's wholly owned subsidiary, JASDEC DVP Clearing Corporation (JDCC). JASDEC

participants applying to make use of the system are examined for their suitability in terms of financial condition, organizational structure and other such factors before receiving authorization from JDCC.

In order to ensure stringent risk management of all participants, JDCC secures collateral in advance, comprising assets (assurance assets) with the appraisal value that exceeds the net debt (total payables – total receivables) of each participant, and sets an upper limit to the value of the liabilities payable (the net debit cap) in proportion to the trading status of each participant.

Settlement within the DVP settlement system for NETDs is conducted in accordance with the so-called Gross = Net DVP model system by which securities pass through the JDCC account within JASDEC and the transfer of the securities from the seller's into the buyer's account is conducted separately for each transaction (gross). Meanwhile, the settlement amounts pass through the JDCC's account within the BOJ-NET funds transfer system and settlement is concluded by the appropriate net calculated amount of funds being paid on each settlement date (net).

### Reducing principal risk by using the DVP settlement method



DVP system is a system that links the delivery of stocks with payments, enabling secure settlement.



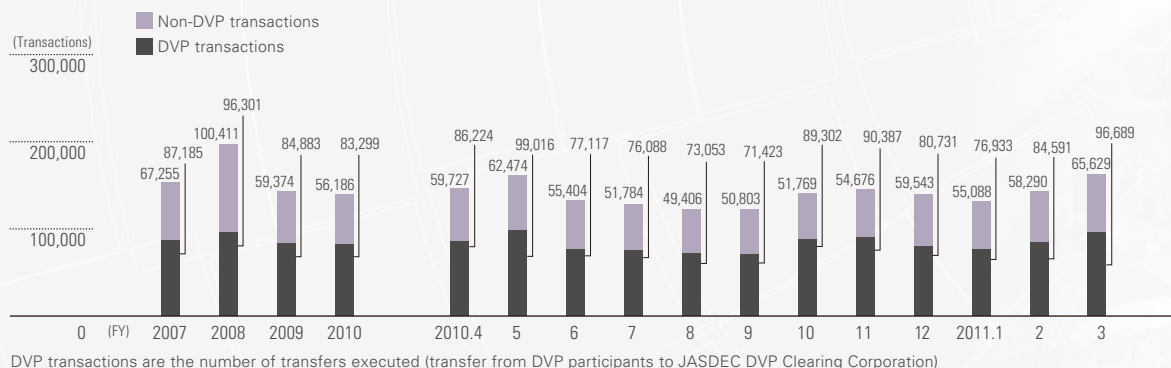
## Establishing key settlement procedures on the customer side

The DVP settlement system for NETDs mainly deals with securities handled by JASDEC through its Book-entry Transfer System for Stocks, etc., such as shares and bonds with share options, etc.

As of the end of March 2011, 57 companies (comprising 13 banks and 44 securities companies) were participants in the DVP settlement system for NETDs. Excluding internal transfers within the same company, DVP transactions accounted for approximately 60% of NETD transactions—evidence that use of the system has become firmly established as an important customer-side settlement method.

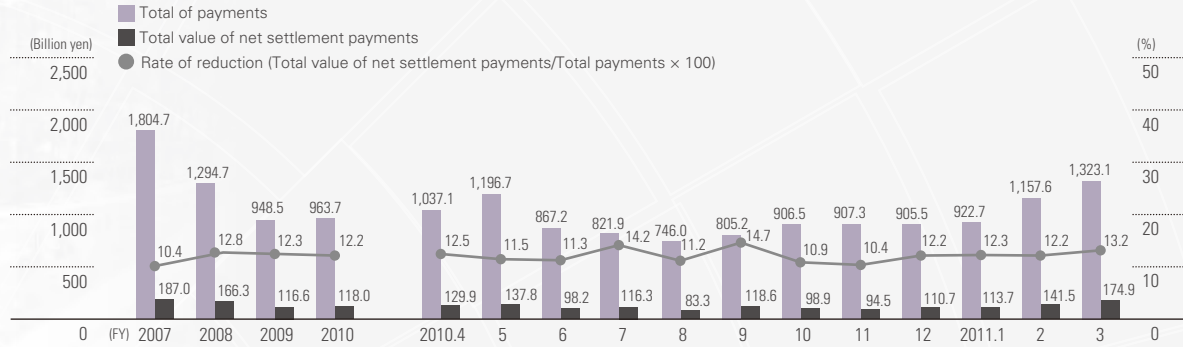
We began back-tests each working day to verify the safety of both securities-to-be-received and pledged securities, which are part of the assurance assets. Each quarter we compile a report of the results of these daily checks and post it on the JASDEC website.

DVP Settlement for NETD Transactions (Daily average)





## DVP Settlement for NETD Fund Settlement (Daily average)



Securities covered: Stocks, bonds with share options (convertible bonds), ETFs, REITs, share options (share subscription warrants), foreign stocks, etc.  
 Total payments is the total amount used for execution of securities transfers.  
 Total value of net settlement payments is the total amount used for account settlement on a net transaction basis.

## Aiming for an even greater level of convenience

To provide for cases of default by participants, liquid assets have been secured by the use of the participant fund and bank credit lines. And in order to limit the risk to within the bounds of liquid assets, JDCC has set maximum upper limits (the net debit cap) for the liabilities payable by each individual participant. To optimize and refine the system

structure, we continuously assess the applicable levels to ensure that they are suitable for its requirements.

JDCC is aiming to improve its systems and offer a greater range of services in its ongoing efforts to operate its systems in a way that will further enhance the level of customer convenience.

# Pre-Settlement Matching System (PSMS)

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## Maintaining transaction and user numbers through increasing the range of asset classes and services

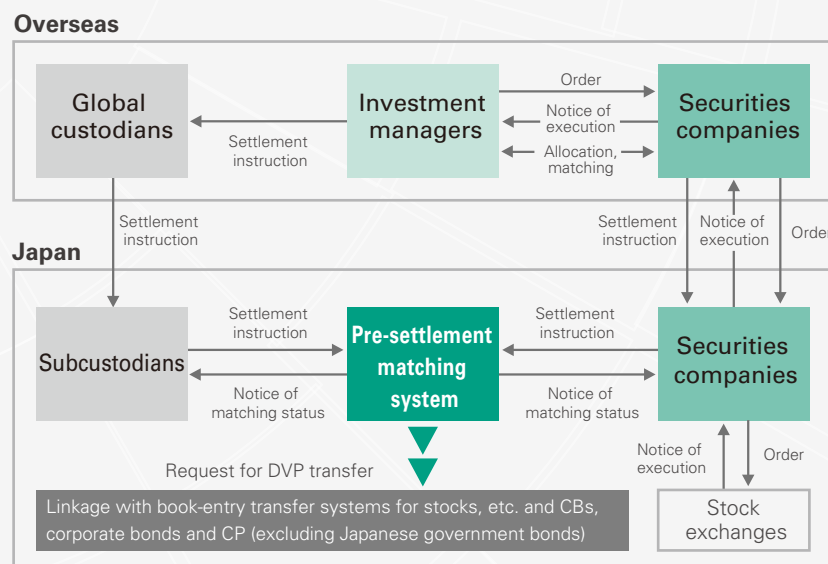
Matching institutional investors' transactions is a complex undertaking, due to the wide range of organizations involved—including investment trust management companies, securities companies, trust banks and custody banks—and the huge amount of transaction data exchanged between them. In the past, matching was done manually by fax or telephone. Now, the process has been modernized and automated, with JASDEC providing centralized matching services using sophisticated computer systems.

Since launching the initial system in September 2001, JASDEC has been increasing the range of asset classes and services covered by the system. In April 2010 we revised the cut-off time for non-resident transactions. We are also

continuing to study ways to expand the range of asset classes and services, including foreign securities.

As a result of these on-going efforts, both the number of transactions and number of users are holding steady. In fiscal 2010, the number of input/output transactions on a daily average basis was 1,314,983. Although the number of existing users declined in fiscal 2010 due to mergers and other factors, the addition of new users (foreign-owned investment managers, business entities, and life and non-life insurance companies) increased the number of registered users as of the end of March 2011 to 696 companies, two more than the record high set in the previous year.

### PSMS (for non-resident transactions)





## Final preparation for adopting the ISO20022 standard

The securities market is continuing to internationalize, and we recognize that our computer systems do not yet fully conform to recent developments in this field. Though we use ISO15022, the international standard for messaging, when we adopted this standard we customized the formats in order to satisfy unique requirements in the Japanese market community. In doing so, however, we understood that ultimately we needed to maximize user convenience by achieving the greatest possible degree of harmonization with international standards and connectivity with overseas systems.

Accordingly, since fiscal 2007 JASDEC has been pursuing a project to achieve full conformity with international standards, through initiatives in a number of areas. At the ISO20022 Subcommittee, we are looking into overall system development, including Pre-Settlement Matching System (PSMS), and the various book-entry transfer systems for stocks, etc., corporate bonds, CP and investment trusts.

In principle, we will use message formats that will comply with the new ISO20022 international standard that defines the ISO platform for the development of financial message standards, which is designed to replace the current ISO15022. We will continue to be a member of the ISO20022 Standards Evaluation Group for Securities within the International Organization for Standardization (ISO), and

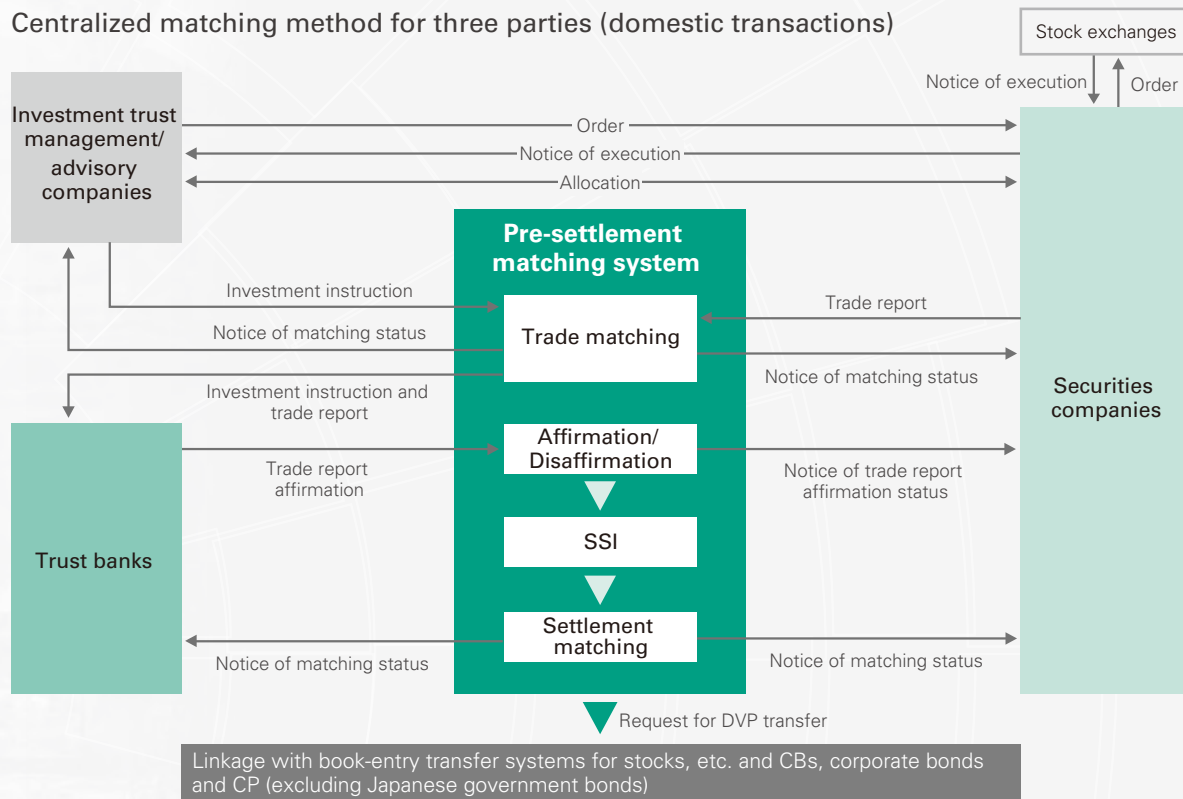
will strive to ensure that the practices prevailing in Japan will be reflected in international standards. This fiscal year we largely completed our study comparing the message formats we use in settlement matching for domestic transactions with the ISO20022 message formats. We are continuing a similar study comparing the message formats we use in trade matching for domestic transactions with ISO20022 message formats.

Turning to our communication network, our aim is to introduce the SWIFT network, which is used widely around the world, while running our existing communication network in parallel, enabling users to choose between them. Introduction of the SWIFT network will, we believe, enable smooth overseas connectivity—further increasing user convenience and the number of the participants.

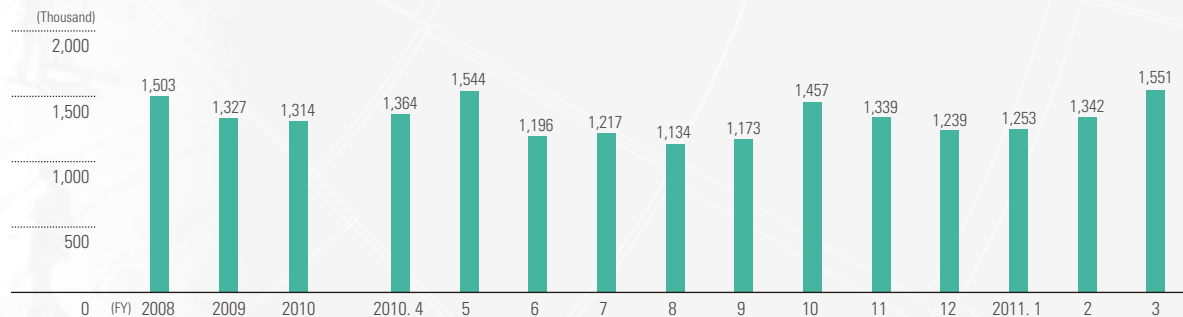
In addition to this work, we are reconsidering Japanese market practice to meet international standards, including the tolerance matching function for non-resident transactions. We are also planning to unify all the rules used throughout our entire system. We plan to bring our new system into service in January 2014.

By expanding the range of asset classes and services handled by our PSMS, and by steadily building conformity with international standards, we are contributing to greater efficiency in Japan's securities markets.

## Centralized matching method for three parties (domestic transactions)



## Total number of PSMS input/output instructions using the PSMS system (Daily average)



Note: Total number of inputs of contract-type matching data and PSMS data relayed by users and number of transactions of data (outputs) reported to users as a result of matching processes.

# Custody Services for Foreign Stock Certificates, etc.

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## Offering safe and secure settlement infrastructure and services for foreign stocks

In April 2006, JASDEC inaugurated services to process deposits, transfers and corporate actions for foreign stock certificates, etc. listed on Japanese stock exchanges.

Although foreign stock certificates, etc. are generally deposited with CSDs or custodians in the countries where the issuing companies are located, settlements of transactions at Japanese stock exchanges are conducted through book-entry transfers in JASDEC.

JASDEC entrusts dividend payments to relevant share-handling service agents. Information on beneficial shareholders at the record date for dividend is transferred to the share-handling service organizations by the JASDEC participants through JASDEC.

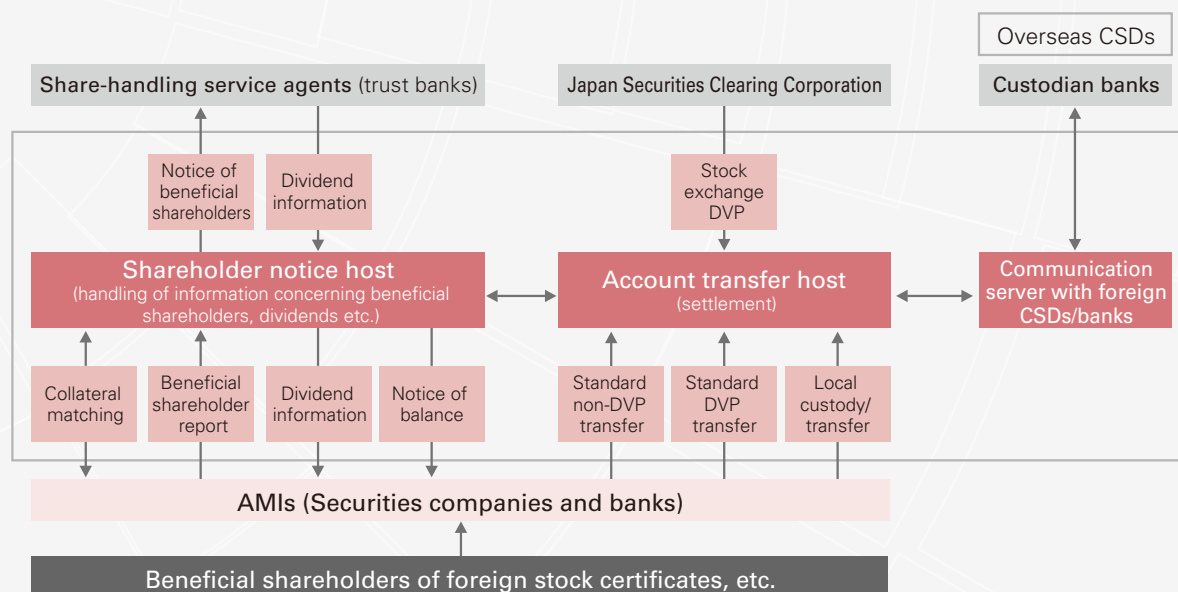
Based on this information, the share-handling service

organizations calculate the amount of dividends, which are then paid directly to the beneficial shareholders from the dividend-paying banks.

JASDEC also undertakes the necessary procedures regarding dividend taxation for local tax authorities and other such entities, to ensure reduced tax rates under tax treaties with the countries concerned. Voting rights at general meetings of shareholders can also be exercised by beneficial shareholders through instructions issued to JASDEC.

JASDEC therefore provides the infrastructure and services necessary for reliable settlement of trading activities in foreign stock certificates, etc., smooth exercise of shareholder rights, and error-free receipt of dividends and other payments.

### Overview of the system relating to foreign stocks





## Handling responses to various forms of corporate action

Foreign companies have carried out a variety of corporate actions in recent years. For example, in January 2011, American International Group, Inc. distributed a dividend of warrants to its shareholders.

In order for shareholders to be able to exercise their rights over the warrants they received, the issuing company had to submit the necessary documents in Japan as well, including a securities registration statement, and so this was the first time for JASDEC to handle warrants that were not listed on Japanese stock exchanges.

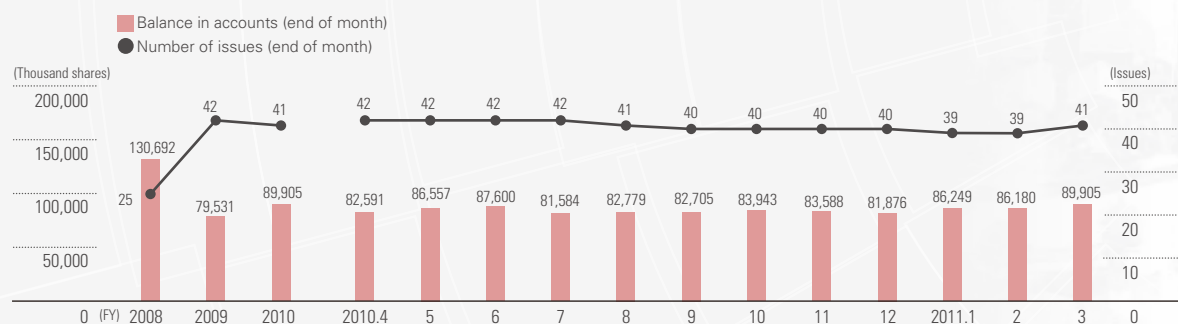
Moreover, at the shareholders' request, we acted as an agent for the exercise of the warrants, for a specific period of time.

JASDEC is taking steps to improve services offered to beneficial shareholders and JASDEC participants, through measures that include: modifying systems for the purpose

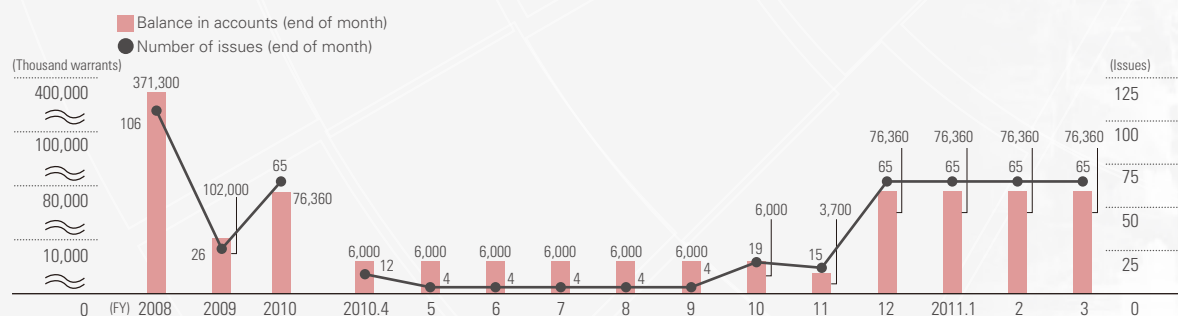
of timely processing of deposits and deliveries; developing systems to exchange information with JASDEC participants in a faster, more accurate and safer way; and looking into ways to handle various new products listed on Japanese stock exchanges.

At present, Depository and Book-entry Transfer System for Foreign Stock Certificates, etc. includes five categories: foreign stocks (including ADRs); overseas ETFs (including ETCs); country funds; foreign covered warrants; and foreign share option certificates. At the end of March 2011, the number of different issues handled by JASDEC in the four categories of foreign stocks, overseas ETFs, country funds, and foreign share option certificates stood at 41, while the number of foreign covered warrants handled stood at 65.

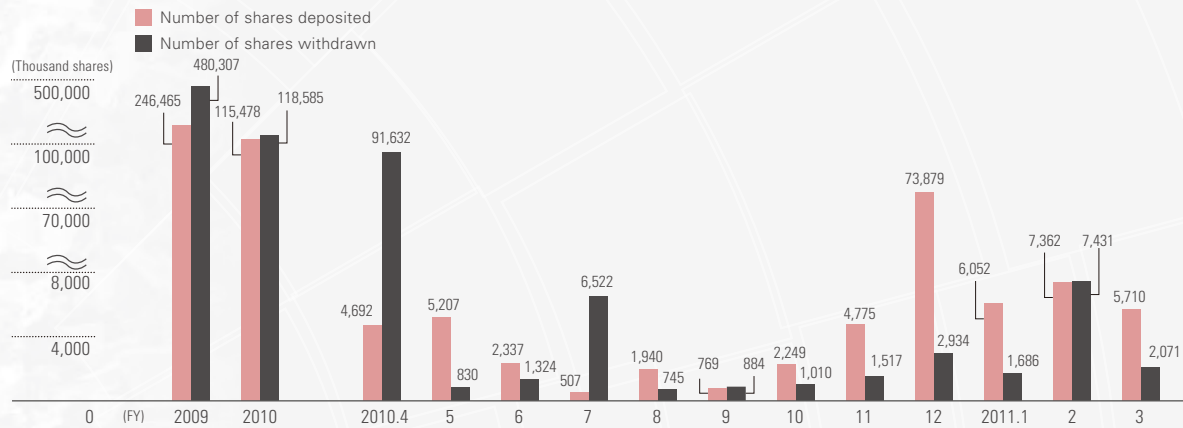
Foreign stocks, etc.—number of issues/balance in accounts (excluding foreign covered warrants)



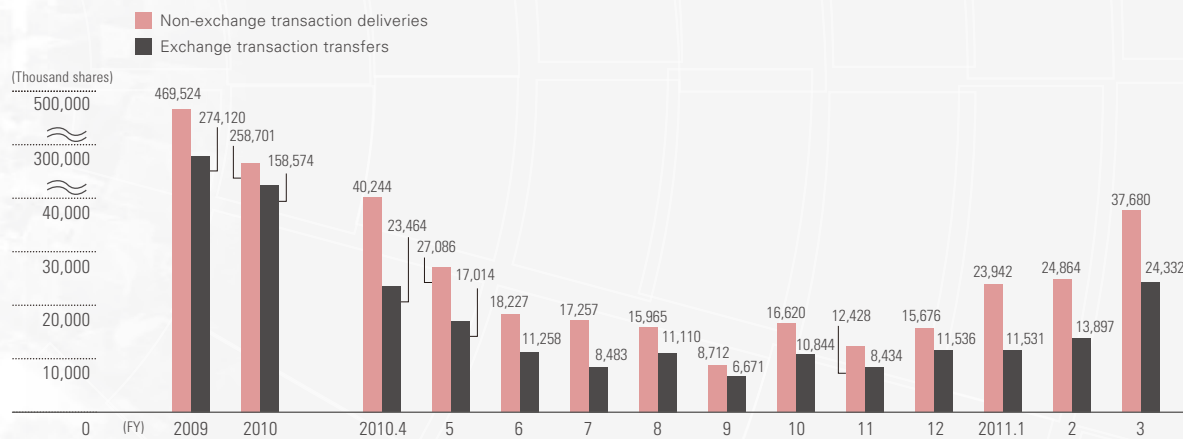
Foreign covered warrants—number of issues/balance in accounts



## Number of shares deposited/withdrawn



## Book-entry transfers



# International Relationships

## Contributing to the development of the global securities markets

In response to ongoing internationalization in the securities settlement sector, JASDEC actively participates in international forums such as regular CSD meetings and seminars, helping ensure the timely exchange of securities market infrastructure-related information on a global basis.

In the Asia-Pacific CSD group (ACG), Chairman Takeuchi became the first chairperson, and JASDEC became the Secretariat of a newly established executive committee (with a three-year term) that plans and executes the various activities of the ACG from a medium-term perspective. Moreover, at the 11th Conference of CSDs (CSD11) the establishment of the World Forum of CSDs (WFC) was approved, and Chairman Takeuchi was sworn in as its vice-chairman.

As one element of our efforts to build collaborative relationships with CSDs around the world, JASDEC has been following a policy of signing MOUs on the exchange of information and the undertaking of collaborative projects with overseas CSDs. As of the end of March 2011, JASDEC had signed MOUs with a total of 12 CSDs. We have also launched regular discussions with current cooperative partners, and made other efforts to strengthen collaborative projects with CSDs of emerging nations.

While supporting the rapidly growing Asian markets overall, we aim to contribute to the development of the Japanese securities market by strengthening cooperative relations around the globe.





## ◆ Major International Activities in FY2010

① April 16, 2010

### 2nd regular consultative meeting held with Korea's KSD under MOU

In an effort to strengthen relationships with MOU cooperative partners, JASDEC held its 2nd regular consultative meeting with KSD (Korea Securities Depository) in Seoul, Korea.

② May 25-27, 2010

### Providing Support to Mongolia's MSCH&CD

Under an MOU signed in April 2009, JASDEC visited the Mongolian Securities Clearing House & Central Depository (MSCH&CD), and provided technical support relating to the development of its IT systems.

③ June 1-4, 2010

### CSD Contact Group meeting

JASDEC participated in the CSD Contact Group (liaison meeting for CSD groups in five regions around the world) held in Zurich, Switzerland, to discuss challenges that CSD groups around the world should collaborate on.

④ August 23-27, 2010

### Seminar held for Mongolian authorities and government officials

Upon a request from Mongolia's MSCH&CD, an MOU cooperative partner, JASDEC held a seminar for Mongolian authorities and government officials in Ulaanbaatar, Mongolia. During the three-day seminar JASDEC gave an overview of Japan's securities clearing and settlement laws, and respective managers explained information security management, cross-border transactions, meeting international standards, domestic listing and settlement of foreign stocks and JDRs.



⑤ September 6, 2010

### 3rd regular consultative meeting held with Korea's KSD under MOU

In September 2010 we held our third regular meeting with KSD in Tokyo, exchanging useful information at both the management and operational levels.

⑦ October 24-28, 2010

### Sibos 2010/CSD Contact Group meeting

JASDEC participated as a panelist at Sibos 2010 held in Amsterdam, the Netherlands, and explained the characteristics of corporate actions in Japan and other Asian countries. At the CSD Contact Group meeting held in conjunction with Sibos 2010, CSD groups from five regions around the world held discussions about challenges that CSD groups should collaborate on.

⑥ September 15-17, 2010

### 12th ACG Cross Training Seminar

The 12th ACG (Asia Pacific CSD Group) Cross Training Seminar for ACG members was held in Shanghai, China, hosted by the China Securities Depository and Clearing Corporation Limited (SD&C). At the JASDEC-led Information Exchange Task Force, we shared opinions on the challenges pertaining to the gathering and distribution of corporate action information as well as initiatives to facilitate smooth cross border settlement. At the Legal Task Force session, JASDEC hosted a presentation on problems arising from the adoption of applicable laws for cross-border transactions.

⑧ December 2-3, 2010

### The 14th ACG General Meeting

The 14th General Meeting of the ACG was held in Mumbai, India, hosted by the National Securities Depository Limited (NSDL). As the convener of the working committee discussing the structural reorganization of the ACG, JASDEC compiled a list of change proposals, and at the General Meeting, members approved the establishment of an executive committee to plan and execute the various activities of the ACG from a medium-term perspective. The new executive committee is made up of seven representative organizations; Chairman Takeuchi became the first chairperson, and JASDEC became the Secretariat of the committee. JASDEC was also reelected as the convener of the Information Exchange Task Force, with a three-year term.



⑨ April 13-15, 2011

### 11th Conference of CSDs

The 11th Conference of CSDs was held in Cape Town, South Africa, hosted by AMEDA (Africa and Middle East Depositories Association). JASDEC presented on the theme of "collaboration between CSDs", showing how CSDs and CCPs exchange information in the Asia-Pacific region, and introducing ABMI, ASEAN Trading Link and other such initiatives being undertaken to build links within Asian markets. Chairman Takeuchi was a panelist in the final session, "What's next? Chairpersons and CEOs reflect on the future of financial markets infrastructure and the effect on CSDs", and outlined merits and demerits with respect to risk management brought about by factors such as the standardization of various CSD operations, the centralization of information, and different shareholder and company structures.

The conference also ratified the establishment of the World Forum of CSDs to replace the CSD Contact Group meetings that had been held irregularly over the past four years. Mr. Mohamed Abdel Salam of Misr for Central Clearing, Depository & Registry (MCDR), Egypt, representing AMEDA, became the first Chairman of the Forum. Chairman Takeuchi of JASDEC was selected as its Vice-Chairman, with JASDEC becoming the forum's secretariat.





## Asian Bond Markets Initiative (ABMI)

### ◆ Background

The Asian Bond Markets Initiative (ABMI) was adopted by the ASEAN+3 (ASEAN plus China, Japan and Korea) Finance Ministers' Meeting as a measure to tackle the 1997 Asian financial crisis. Asian countries have been facing common difficulties in the fund procurement required for medium- to long-term investments within the region.

Although savings rates are high in the region, capital markets are not yet fully developed. In these circumstances, the region had depended heavily on Western financial institutions for foreign currency-denominated short-term borrowings for long-term investments. This caused maturity and currency mismatches in financing, which were primary factors in generating the Asian financial crisis.

The financial authorities of the countries participating in the ABMI have been endeavoring to develop bond markets within the region to enhance financial intermediary functions and allow savings to be used for investment in the region. The successful procurement of funds for long-term investments in the region would significantly reduce currency and maturity mismatches in regional financing. Under the supervision of the Finance Ministries and the Central Banks of the ASEAN+3 countries, four Task Forces have been established with the common goal of furthering the development of well-functioning bond markets with sufficient liquidity in the region.

### ◆ JASDEC involvement in ABMI

JASDEC has been taking part (as a representative of Japan) in the Group of Experts (GoE), which was established in April 2008 by Task Force 4 (whose responsibility is to improve the bond market infrastructure) to discuss key issues related to cross-border bond transaction and settlement systems.

In September 2010, Task Force 3 (whose responsibility is to improve the regulatory framework) established the ABMF (the ASEAN+3 Bond Market Forum) to carry on the work of the GoE. JASDEC has participated in ABMF as the Japanese representative, and is actively participating in Sub-Forum 2 (the study group) as the Co-Vice Chair.

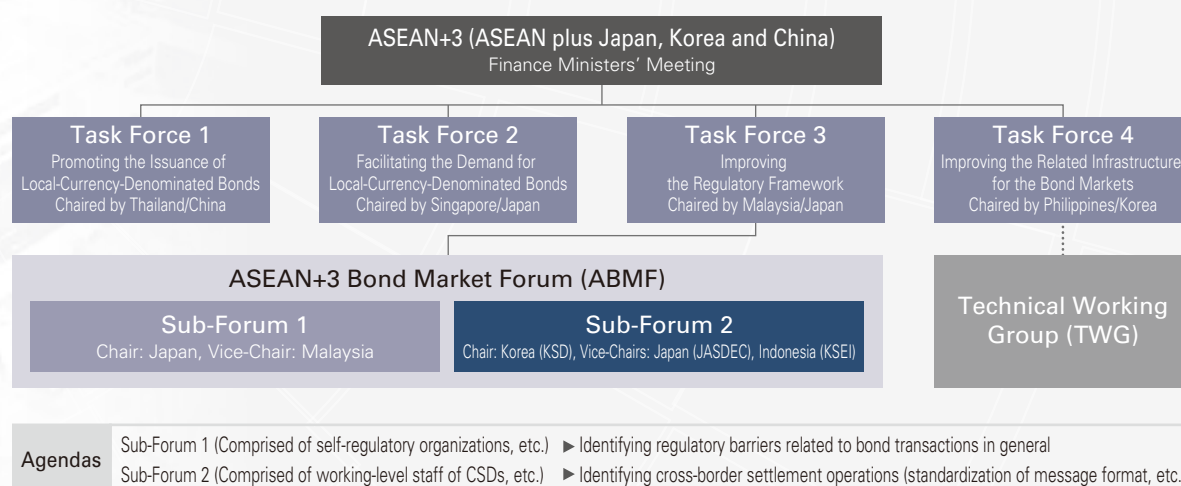
### ◆ JASDEC activities in the ABMF

The ABMF, set up with the objectives of conducting studies to standardize market practices concerning cross-border bond transactions in the ASEAN region and to harmonize regulations within the region, began its work with two sub-forums held at its inaugural meeting at Tokyo in September 2010. These were: Sub-forum 1, whose main agenda is “Identifying regulatory barriers related to bond transactions in general” and Sub-forum 2, whose agenda is “Identifying cross-border settlement operations.” As a Japanese representative in Sub-forum 2, JASDEC is actively contributing to the debate held at three forum meetings where the topics discussed have

included the CSDs in each country, the practice of the global custodian in transactions settled across borders, and custodial practices for settlements in one’s own country.

In our work to promote “Identifying cross-border settlement operations,” there are plans to prepare a flow chart integrating the bond settlement procedures in each of the countries and to visit those countries in the Asian region to deepen understanding. Further discussions will be held in the months ahead, with the aim of completing the final report by the end of the year.

### [Positioning of ASEAN+3 Bond Market Forum (ABMF)]



\* Establishment of ABMF was approved at the ASEAN+3 Finance Ministers' Meeting held in May 2010.