

Basic Outline of  
Short-Term Corporate Bonds Book-Entry Transfer System

June 6, 2002  
Japan Securities Depository Center, Inc.

1. Short-Term Corporate Bonds, Etc. To Be Handled:

- Japan Securities Depository Center, Inc. (hereinafter called “JASDEC”) shall handle short-term corporate bonds, etc. listed below.
  - (1) Short-term corporate bonds prescribed in Item 1 of Article 66 of the Law Concerning Book-Entry Transfer for Corporate Bonds, Etc. (hereinafter called “Law”)
  - (2) Short-term corporate bonds prescribed in Paragraph 1 of Article 61-2 of the Insurance Business Law
  - (3) Specified short-term bonds prescribed in Paragraph 8 of Article 2 of the Law Concerning Securitization of Assets (including specific short-term bonds prescribed in Paragraph 6 of Article 2 of the Law Concerning Securitization of Specific Assets to be issued by the Specific Purpose Companies before the law was amended by Article 1 of the Law to Amend a Part of the Law Concerning Securitization of Assets (Law No.97 of 2000), which are confirmed to be still effective in Paragraph 1 of Appendix Article 2 of the same Law.)
  - (4) Short-Term Shoko Bonds prescribed in Article 33-2 of the Central Cooperative Bank for Commerce and Industry Law
  - (5) Short-term bonds prescribed in Paragraph 1 of Article 54-3-2 of the Shinkin Bank Law
  - (6) Short-Term Norin Bonds prescribed in Paragraph 1 of Article 62-2 of the Norinchukin Bank Law
  
- The short-term bonds, etc. to be handled by JASDEC shall satisfy the following conditions:
  - (1) The bonds have to be issued on discount basis.
  - (2) The face value of each issue has to be ¥100 million or above with increment of ¥1 million, and besides to be uniform.

2. Account Management Agent:

(Remark: Paragraph 4 of Article 2 of the Law)

- Securities companies, banks and other financial institutes appointed by JASDEC can open accounts for book-entry transfer of short-term corporate bonds, etc. for other

entities as Account Management Agents in accordance with the stipulations of the Business Rules of JASDEC (hereinafter called “Business Rules”).

- Account Management Agent shall keep Transfer Account Book.
- Account Management Agents shall be classified as follows: (Hereinafter, the word Account Management Agent shall cover both types.)
  - (1) Those to whom JASDEC established accounts for book-entry of short-term bonds, etc. directly (hereinafter called “Direct Account Management Agent”).
  - (2) Those who obtained accounts for book-entry of short-term bonds, etc. from other Account Management Agents (hereinafter called “Indirect Account Management Agent”).

3. Participant:

(Remark: Paragraph 3 of Article 2 of the Law)

- Participants who obtained accounts for book-entry of short-term bonds, etc. from JASDEC or Account Management Agents can acquire such property rights as short-term corporate bonds, etc. in accordance with the stipulations of the Business Rules.

(Remark: For opening the account, an identification of the entity is required.)

- The Participants are limited to be corporations.

4. JASDEC Participant:

- JASDEC shall establish an account for book-entry of short-term bonds, etc. for the persons and register the account on Transfer Account Book upon his application in accordance with the stipulations of the Business Rules.
- Participants of JASDEC (hereinafter called “JASDEC participant”) shall notify the fund settlement corporation to be used for the fund settlements of issuance, redemption and transfer of short-term corporate bonds, etc. to JASDEC in advance.

5. Issuer:

(Remark: Paragraph 1 of Article 13 of the Law)

- JASDEC shall obtain blanket consent of the Issuer in advance, in order for JASDEC to handle the short-term corporate bonds, etc.
- When Issuer appoints his issuing agent or payment agent, the Issuer shall notify it to JASDEC in advance.
- Issuer shall notify the fund settlement corporation to be used for the fund settlements of issue and redemption of short-term corporate bonds, etc. to JASDEC in advance.

6. Issuing Agent:

- JASDEC shall appoint other corporation as Issuing Agent upon his application in accordance with the stipulations of the Business Rules.
- Issuing Agent shall undertake the procedure for the issue of short-term corporate bonds, etc. to JASDEC, on behalf of the Issuer.

7. Payment Agent:

- JASDEC shall appoint other corporation as Payment Agent upon his application in accordance with the stipulations of the Business Rules.
- Payment Agent shall undertake the procedure for the redemption of short-term corporate bonds, etc. to JASDEC, on behalf of the Issuer.

8. Fund Settlement Corporation:

- By application of financial institution, etc. that has current account at Bank of Japan and is participating the on-line dealings by means of BOJ Financial Network System (hereinafter called “BOJ Net”), JASDEC shall register the financial institution as Fund Settlement Corporation in accordance with the stipulations of the Business Rules.
- Fund Settlement Corporation shall undertake the settlement of fund for the issue, transfer and redemption of short-term corporate bonds, etc. by means of BOJ Net, on behalf of the Participant or the Issuer.
- JASDEC may inquire necessary matters to carry out DVP settlement smoothly to Fund Settlement Corporation, regarding the fund settlement of short-term corporate bonds, etc. executed by the Fund Settlement Corporation by means of BOJ Net.

(Remark: DVP settlement scheme contemplated under this Basic Outline is not to execute the final book-entry transfer of securities and funds strictly on the real-time basis. JASDEC will temporarily record the short-term corporate bond, etc. of the deliverer at “Transfer Account” or the like and, upon confirmation that the corresponding fund settlement is done at BOJ, will transfer the short-term corporate bonds, etc. to the receiver’s account.)

9. Transfer Account Book:

(Remark: Article 68 of the Law)

(1) Classification of Account at JASDEC

- The account of each JASDEC Participant shall be classified on Transfer Account Book.
- The classification of JASDEC Participant’s account shall be as follows:
  - a. Account to record the short-term corporate bonds, etc. of which rights belong to JASDEC Participant (hereinafter called “Own Account”).

- b. Account to record the short-term corporate bonds, etc. of which rights belong to the Participant of Direct Account Management Agent (including Participant of his subordinate Indirect Account Management Agent - hereinafter called "Customer Account").
- Own Account shall be classified as follows:
  - a. Account to record the rights of pledge when the JASDEC Participant is a pledgee of the short-term corporate bonds, etc. (hereinafter called "Pledge Account").
  - b. Account to record all rights other than the above a. (hereinafter called "Tenure Account").
- In Tenure Account and Pledge Account, the accounts to record the assets in trust when JASDEC Participant is a trustee of trust (hereinafter called "Trust Account") shall be provided.
- JASDEC shall provide further account classification under the accounts mentioned above in accordance with the stipulations of the Business Rules.

(2) Classification of Account for DVP Settlement:

- JASDEC shall provide following temporary accounts for the DVP settlement:
  - a. For the new issue recording procedure;  
Account to temporarily record the advance notification regarding payments, etc. from the Issuer (hereinafter called "Issue Account")
  - b. For the transfer procedure  
Account to temporarily record the amount decreased by the transfer, in order to carry out the transfer procedure that accompanies DVP settlement (hereinafter called "Transfer Account")
  - c. For the deletion procedure  
Account to temporarily record the amount decreased by the deletion (hereinafter called "Redemption Account")

(3) Account Classification at Account Management Agent

- The account of each Participant shall be classified on Transfer Account Book.
- The account of Participant shall be classified basically in accordance with the classification of JASDEC Participant by JASDEC.

10. New Issue Recording Procedure:

(Remark: Article 69 of the Law)

(1) Notification of Issue Plan & Acceptance Information:

- Issuer (Issuing Agent, in case it is appointed – common for all New Issue Recording Procedure below) shall notify the information regarding the short-term corporate bonds, etc. being planned for issue (name of issue, total amount of issue, amount of each bond,

pay-in date, redemption date, etc. all of which is called “Bond Issue Information” hereinafter) and the information regarding the acceptance (name of issue, settlement date, personal or corporate names of Participant to make payments, their accounts, payment amount of short-term corporate bonds, etc. for each Participant, etc. all of which is called “Acceptance Information” hereinafter) to JASDEC in accordance with the method specified by JASDEC.

- When the Fund Settlement Corporations for the Issuer and the Participant to make payment are different and furthermore the Issuer and the Participant to make payment are in agreement, DVP settlement can be specified. In such a case, the Issuer shall notify the information regarding DVP settlement such as the intention to apply DVP settlement, amount of settlement fund, name of Fund Settlement Corporation for the Participant to make payment, etc. (hereinafter called “DVP Settlement Information”) to JASDEC, at the same time when “Bond Issue Information” and “Acceptance Information” are notified.

(2) Allocation of ISIN Code:

(Remark: The procedure is subject to the approval from Securities Identification Code Committee.)

- When JASDEC receives the notice per the above (1) (hereinafter called “Issue Plan-Acceptance Information Notice”) from the Issuer, JASDEC shall allocate ISIN Code in accordance with the method specified by Securities Identification Code Committee and by obtaining a consent of the Committee regarding the external notification of ISIN Code.

(3) Recording to Issue Account

a. Non - DVP Settlement Case;

- JASDEC shall, after recording the Acceptance Information in the Issue Plan-Acceptance Information Notice to Issue Account, notify the recorded contents and the ISIN Code to the Issuer and the JASDEC Participant who himself or whose Participant (including Participant of his subordinate Indirect Account Management Agent) makes the payment. ( hereinafter such a JASDEC Participant is called “Buy-Side JASDEC Participant”)

b. DVP Settlement Case;

- JASDEC shall, after receiving Issue Plan-Acceptance Information Notice, notify the ISIN Code to the Issuer and also the Acceptance Information and DVP settlement information in the Issue Plan-Acceptance Information Notice and the ISIN Code to the Buy-Side JASDEC Participant for the confirmation of matters regarding the DVP settlement .
- The Buy-Side JASDEC Participant shall, when he receives the notice for above confirmation of DVP settlement, send back an approval to JASDEC after

crosschecking and confirming each item in the notice.

- JASDEC shall, when it receives an approval of DVP settlement from Buy-Side JASDEC Participant, record the contents at the Issue Account and also notify the recorded contents and the settlement identification number allocated by JASDEC to the Issuer and the Buy-Side JASDEC Participant.

(4) Fund Settlement by DVP Settlement:

- a. When JASDEC Participant makes payment;
  - Buy-Side JASDEC Participant shall, when he requests his Fund Settlement Corporation to settle the fund, inform the Fund Settlement Corporation that he will pay the fund by means of BOJ Net by specifying that the transaction is the fund transfer for short-term corporate bonds, etc. and also the necessary information for settlement in the information recorded at the Issue Account and the settlement identification number informed by JASDEC per above item (3) (hereinafter called "Issue Fund Settlement Information").
- b. When Participant of JASDEC Participant makes payment;
  - When Participant of Buy-Side JASDEC Participant (including Participant of his subordinate Indirect Account Management Agent) makes payment, the Buy-Side JASDEC Participant (including his subordinate Indirect Account Management Agent) shall inform the Issue Fund Settlement Information to the Participant, and when he requests the fund settlement to the Fund Settlement Corporation, he shall inform the necessity to execute the payment by means of BOJ Net by specifying that the transaction is the fund transfer for short-term corporate bonds, etc. to the Fund Settlement Corporation.

(5) Payment Notice:

- a. Non - DVP Settlement Case;
  - Issuer shall, when he confirms that the payment is made for the short-term corporate bonds, etc. recorded at his Issue Account, notify it to JASDEC in accordance with the method specified by JASDEC.
- b. DVP Settlement Case;
  - Fund Settlement Corporation shall make the fund settlement by means of BOJ Net, according to the Issue Fund Settlement Information from the Participant.
  - JASDEC shall, upon confirmation of the fund settlement notice regarding the payment for short-term corporate bonds, etc. from BOJ, regard the Issue Plan-Acceptance Information Notice as the Issuer's notification regarding New Issue Recording Procedure.

(Remark: The DVP settlement scheme contemplated under this Basic Outline is made on

the assumption that BOJ agrees for JASDEC to receive the notice of the fund settlement information from BOJ and furthermore prepares for the required system considerations.)

(6) New Issue Recording:

- When JASDEC receives the notice of payment per above (5), JASDEC shall transfer the short-term corporate bonds, etc. from the Issue Account to JASDEC Participant's account (Own Account or Customer Account in case of Direct Account Management Agent) with recording the increase.
- When JASDEC records the increase to the Customer Account of the Direct Account Management Agent, the Direct Account Management Agent shall record the increase to his Participant's account, based on the notice from JASDEC at the time of recording the Issue Account.
- When Account Management agent records the increase to the Customer Account of his subordinate Indirect Account Management Agent, the Indirect Account Management Agent shall record the increase to his relevant Participant's account.

11. Book-Entry Transfer Procedure:

(Remark: Article 70 of the Law)

(1) Application for Book-Entry Transfer by Participant:

- Participant on the delivery-side shall apply for the book-entry transfer by informing the name of issue and amount of the short-term corporate bonds, etc. to be recorded the decrease by the transfer, classification of the account from which the transfer is to be made, the account to receive the transfer and its classification and the settlement date, to JASDEC or Account Management Agent with whom the Participant has the account.
- When the transfer is made by JASDEC between different JASDEC Participants and the settlement is to be made between different Fund Settlement Corporations, DVP settlement can be specified subject to the consent of both delivery-side and receiver-side Participants. In this case, the JASDEC Participant, who himself or whose Participant (including Participant of his subordinate Indirect Account Management Agent) is the delivery-side Participant (hereinafter called "Delivery-Side JASDEC Participant"), shall apply for book - entry transfer to JASDEC by notifying the DVP settlement information in addition to the above information necessary for the transfer application.

(2) Non-DVP Settlement Case:

- a. When the account to receive the transfer exists at JASDEC or Account Management Agent who received the application for transfer;
  - JASDEC or the Account Management Agent shall record the decrease to the

account of delivery-side Participant who made the application and record the increase to the account to receive the transfer.

- b. When the account to receive the transfer does not exist at the Account Management Agent who received the application for transfer;
  - The Account Management Agent shall record the decrease to the account of delivery-side Participant who made the application and notify the name of issue and amount of the short-term corporate bonds, etc. to be recorded the decrease by the transfer, the account to receive the transfer, etc. to JASDEC or his super-ordinate Account Management Agent. (The super-ordinate Account Management Agent shall take the same procedure when he does not hold the account to receive the transfer.)
  - JASDEC shall record the decrease to the Customer Account of the Direct Account Management Agent who notified the above information. When JASDEC holds the account to receive the transfer, JASDEC shall record the increase to the account. When JASDEC does not hold the account to receive the transfer, JASDEC shall record the increase to the Customer Account of the Direct Account Management Agent who holds the account to receive the transfer (including the case that his subordinate Indirect Account Management Agent holds the account to receive the transfer – same for item c. below) and notify the name of issue and amount of the short-term corporate bonds, etc. to be recorded the increase by transfer, the account to receive the transfer and its classification, etc. to the Direct Account Management Agent.
  - The Direct Account Management Agent, who received the above notice from JASDEC, shall record the increase to the account of his Participant, etc. in accordance with the contents of the notice.
  - When Account Management Agent recorded the increase to the Customer Account of his subordinate Indirect Account Management Agent, the Indirect Account Management Agent shall record the increase to the account of his relevant Participant, etc.
- c. If JASDEC does not hold the account to receive the transfer when JASDEC received the application for transfer;
  - JASDEC shall record the increase to the Customer Account of the Direct Account Management Agent who holds the account to receive the transfer and notify the name of issue and amount of the short-term corporate bonds, etc. to be transferred, the account to receive the transfer and its classification to the Direct Account Management Agent.
  - The Direct Account Management Agent, who received the above notice from JASDEC, shall record the increase to the account of his Participant in accordance with the contents of the notice.



- When Account Management Agent recorded the increase to the Customer Account of his subordinate Indirect Account Management Agent, the Indirect Account Management Agent shall record the increase to the account of his relevant Participant.

(3) DVP Settlement Case:

a. Recording to Transfer Account:

- JASDEC shall notify the contents of application made by the delivery-side JASDEC Participant to JASDEC Participant who himself or whose Participant holds the account to receive the transfer (hereinafter called "Receive-Side JASDEC Participant") for the confirmation of matters regarding the DVP settlement.
- The Receive-Side JASDEC Participant shall, when he receives the notice for the above confirmation of DVP settlement, send back an approval to JASDEC after crosschecking and confirming each item in the notice.
- When JASDEC receives the approval of DVP settlement from the Receive-Side JASDEC Participant, JASDEC shall transfer the recorded decrease at the account of Delivery-Side JASDEC Participant to Transfer Account, record the contents of approval to the Transfer Account and notify the recorded contents at the Transfer Account and the settlement identification number allocated by JASDEC to the Delivery-Side JASDEC Participant and the Receive-Side JASDEC Participant.

b. Fund Settlement:

(a) When JASDEC Participant makes payment;

- Receiver-Side JASDEC Participant shall, when he requests his Fund Settlement Corporation to settle the fund, inform the Fund Settlement Corporation that he will pay the fund by means of BOJ Net by specifying that the transaction is the fund transfer for short-term corporate bonds, etc., and also the necessary information for settlement in the recorded contents at the Transfer Account informed by JASDEC per above item a. and the settlement identification number (hereinafter called "Transfer Fund Settlement Information").

(b) When Participant of JASDEC Participant makes payment;

- When Participant of Receiver-Side JASDEC Participant (including Participant of his subordinate Indirect Account Management Agent) makes payment, the Receiver-Side JASDEC Participant (including his subordinate Indirect Account Management Agent) shall inform the Transfer Fund Settlement Information to the Participant, and when he requests the fund settlement to the Fund Settlement Corporation, he shall inform the necessity to execute the payment by means of BOJ Net by specifying that the transaction is the fund transfer for short-term corporate bonds, etc. to the Fund Settlement Corporation.
- The Fund Settlement Corporation shall make the fund settlement by means of BOJ

Net in accordance with the Transfer Fund Settlement Information from the Participant.

c. Recording of Amount Increase:

- JASDEC shall, upon confirmation of the fund settlement notice regarding the transfer of short-term corporate bonds, etc. from BOJ, transfer the relevant short-term corporate bonds, etc. from Transfer Account and record the increase to the account of Receive-Side JASDEC Participant (for Direct Account Management Agent, either Own Account or Customer Account).
- The Direct Account Management Agent, who received the above notice from JASDEC, shall record the increase to the account of his Participant in accordance with the contents of notice.
- When Account Management Agent records the increase to the Customer Account of his subordinate Indirect Account Management Agent, the Indirect Account Management Agent shall record the increase to the account of his relevant Participant.

12. Deletion Procedure:

(Remark: Article 71 of the Law)

(1) Authorization by Participant:

- Participant shall authorize the Account Management Agent on his behalf in advance to receive the redemption fund and to make the procedure to delete the relevant balance at his account.
- When the Account Management Agent who received the authorization is Indirect Account Management Agent, he shall make the same procedure to authorize his super-ordinate Account Management Agent.

(2) Application for Deletion:

- JASDEC Participant shall apply for the deletion to JASDEC, by notifying the name of issue and amount of the short-term corporate bonds, etc. of which decrease due to the deletion is to be recorded, fund settlement amount for each classified account, name of Fund Settlement Corporation, etc.

(3) Recording to Redemption Account:

a. Non-DVP settlement Case;

- JASDEC shall confirm the application for deletion from JASDEC Participant and, when the Fund Settlement Corporation of the applicant is the same Fund Settlement Corporation as of the Issuer, shall transfer the amount equivalent to the recorded decrease amount to the Redemption Account, record the confirmed contents to the

Redemption Account and notify the recorded contents of the Redemption Account and the fact that DVP settlement is not applied to the JASDEC Participant and the Issuer (Payment Agent when such Payment Agent is appointed – common for all deletion procedure below).

b. DVP settlement Case;

- JASDEC shall confirm the application for deletion from JASDEC Participant and, when the Fund Settlement Corporation of the applicant is different from the Fund Settlement Corporation of the Issuer, shall transfer the amount equivalent to the recorded decrease amount to the Redemption Account, record the confirmed contents to the Redemption Account and notify the recorded contents of the Redemption Account, the fact that DVP settlement is applied and the settlement identification number allocated by JASDEC to the JASDEC Participant and the Issuer.

(4) Fund Settlement by DVP Settlement:

- Issuer shall, when he requests his Fund Settlement Corporation to settle the fund, inform the Fund Settlement Corporation that he will pay the fund by means of BOJ Net by specifying that the transaction is the fund transfer for short-term corporate bonds, etc., and also the necessary information for settlement in the information recorded at the Redemption Account and the settlement identification number informed by JASDEC per above item (3) (hereinafter called “Redemption Fund Settlement Information”).

(5) Recording of Decrease

a. Non- DVP settlement Case;

- JASDEC Participant shall, when he confirms that the payment is made for the short-term corporate bonds, etc. recorded at Redemption Account, notify it to JASDEC in accordance with the method specified by JASDEC.
- When JASDEC receives the above notice, JASDEC shall decrease the relevant amount at the Redemption Account and record the decrease to the account of JASDEC Participant.

b. DVP settlement Case;

- Fund Settlement Corporation shall make the fund settlement by means of BOJ Net, according to the Redemption Fund Settlement Information from the Issuer.
- JASDEC shall, upon confirmation of the fund settlement notice regarding to the redemption of short-term corporate bonds, etc. from BOJ, decrease the amount at the Redemption Account and record the relevant decrease to the account of JASDEC Participant.

13. Obligation to Write-off:

(Remark: Article 78 of the Law)

(1) Write-off by JASDEC:

- When the total amount of a short-term corporate bonds, etc. at the accounts of JASDEC Participants exceeds the issue amount of it due to bona fide acquisitions, JASDEC shall acquire the short-term corporate bonds, etc. till the amount of acquisition reaches the excess amount. In this case, JASDEC shall record the increase to JASDEC account.
- When JASDEC acquired the short-term corporate bonds, etc. JASDEC shall declare the intention of exempting the Issuer from all the liability related to the short-term corporate bonds, etc. in question.
- JASDEC shall record the decrease of the short-term corporate bonds, etc. for which JASDEC declared the exemption of liability.

(2) Procedures for Account Management Agent:

(Remark: Article 79 of the Law)

- When an excess recording takes place at Account Management Agent due to bona fide acquisitions, the Account Management Agent shall acquire the short-term corporate bonds, etc. in question till the amount of acquisition reaches the excess amount.
- When the Account Management Agent acquired the short-term corporate bonds, etc. the Account Management Agent shall declare the intention of exempting the Issuer from all the liability related to the short-term corporate bonds, etc. in question and also notify the fact that he declared the exemption of liability and the name of issue and amount of the short-term corporate bonds, etc. in question to JASDEC or his super-ordinate Account Management Agent.
- JASDEC or the Account Management Agent, who received the notice from his subordinate Account Management Agent, shall decrease the amount at the Own Account of the subordinate Account Management Agent and increase the equivalent amount at the Customer Account of the same.

(3) Prevention of Excess Recording:

- JASDEC and Account Management Agent shall pay utmost attention in the development and management of the system in order to prevent the excess recording.
- JASDEC shall confirm the total amount of each issue of short-term corporate bond, etc. at the account of JASDEC Participant on the Transfer Account Book and total amount of issue of short-term corporate bond, etc., every day.

- Direct Account Management Agent shall crosscheck the amount data of each issue of short-term corporate bond, etc. at the Customer Account notified by JASDEC after the closing of dealings and the data on the Transfer Account Book which the Account Management Agent keeps and, when there is any problem, shall inform it to JASDEC.
- Account Management Agent shall crosscheck the amount on the Transfer Account Book with his subordinate Account Management Agent in accordance with the stipulations of the Business Rules.

14. Business Hours:

- The requests of transfer for the day shall be accepted basically from 9:00 am to 3:30 pm.

(Remark: The handling of the advance input of the transfer request, etc. shall be determined separately.)

15. Disclosure:

(Remark: Article 87 of the Law and Paragraph 2 of Article 23-8 of the Securities and Exchange Law)

- JASDEC shall disclose the information such as the total amount of each issue of short-term corporate bonds, etc. to the public.

16. Entrustment:

(Remark: Article 10 of the Law)

- When it is judged appropriate to entrust a part of his business to other persons in view of the efficiency of business procedure, JASDEC may do with the approval from the competent minister.

17. Relation with Account Management Agent:

- When JASDEC deems necessary for the adequate and proper execution of the book-transfer business, JASDEC shall order the Account Management Agent to submit the reports or materials or inspect their account books in accordance with the stipulations of the Business Rules.
- When Account Management Agent violates the Business Rules, etc. JASDEC shall punish the Account Management Agent in accordance with the stipulations of the Business Rules.

18. Sharing of Expenses:

- The expenses required for JASDEC to carry out the book-transfer business shall basically be covered by the commissions that are collected from Issuers and JASDEC Participants.

19. Time of Enforcement:

- This system will be enforced by the end of March 2003.

(END)