

# Recent Initiatives of Tokyo Stock Exchange

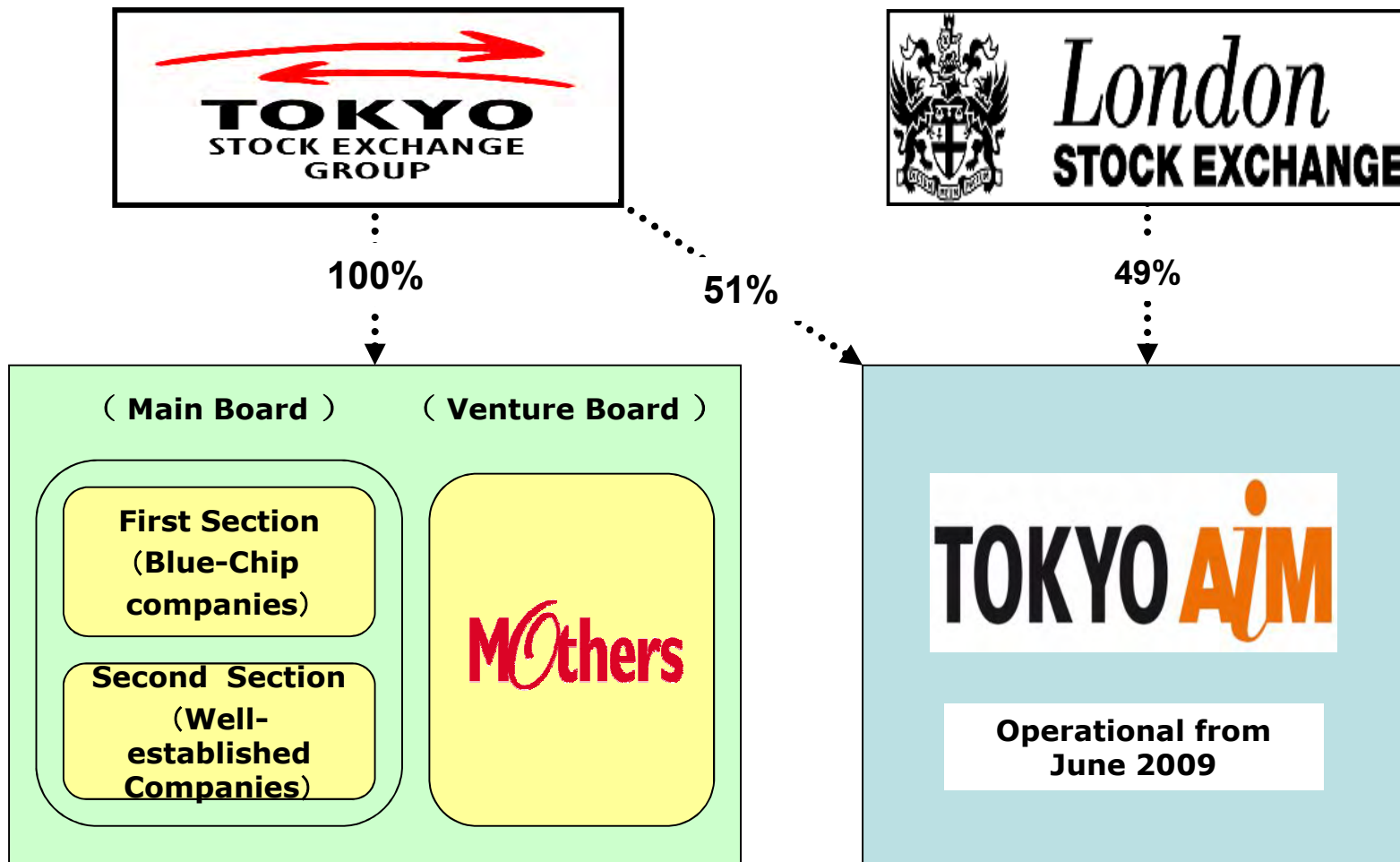
Tokyo Stock Exchange, INC  
Executive Officer  
Masaki SHIZUKA

July10,2009

1. To increase opportunities for high-growth companies through TOKYO AIM
2. Listing a wide variety of ETFs on the TSE market

# **1.To increase opportunities for high-growth companies through TOKYO AIM**

# Markets Operated by Tokyo Stock Exchange



# Comparison of the First Section , Second Section, Mothers and Tokyo AIM



	First Section Second Section Mothers	Tokyo AIM
Investors	No restriction	Professionals
Disclosure Language	Japanese	English or Japanese
Accounting Standards	Japan GAAP (e.g. when financials statements are not disclosed in the home country)	<ul style="list-style-type: none"> <li>• Japan GAAP</li> <li>• IFRS</li> <li>• US GAAP</li> <li>• Other standards approved by J-Nomad or accountant, and recognized by the Exchange</li> </ul>
Auditor's report	Two consecutive years of audited reports	One year of audited report
Listing Criteria (i.e. numerical)	Standard numerical criteria i.e. minimum shareholders, free float, market capitalization	No numerical criteria J-Nomad will judge on case by case basis
Internal control reports	Mandatory	Not mandatory
Quarterly reports	Mandatory	Not mandatory
Examination	The listing Exchange	J-Nomad

## (\*1) Who can trade on Tokyo AIM?

---

---

### ■ Qualified institutional investors

- Listed companies
- Private companies with over ¥500 million capital
- Government Agencies, Bank of Japan
- Regional public authorities

### ■ Approved Specified Investors

- Joint-Stock Companies outside of the above
- Individuals with over ¥300 million in net assets and with at least one year of investment experience with financial instruments

### ■ Non-residents

## ( \* 2) Main role of the J-nomad

---

---

- To confirm the overall appropriateness and suitability of the company to list on the market
- To provide the company with advice and guidance until listing
- After listing, to continue to give the company advice regarding the company's disclosure obligation, financing, etc.

---

## **2.Listing a wide variety of ETFs on the TSE market**



# History of Japan ETF Market



## 1<sup>st</sup> Phase - First ETF

- May 1995            Nikkei 300ETF

## 2<sup>nd</sup> Phase - Japanese major stock price indices

- July 2001            TOPIX and Nikkei 225 ETFs
- March 2002          TOPIX Core 30 and 3 Sector ETFs

## 3<sup>rd</sup> Phase – Diversification to other asset classes

- **November 2007**    **KODEX 200 ETF (Korea, Samsung AM)**
- March 2007            S&P Japan Emerging Equity (Nikko AM),  
TOPIX 100 · TOPIX Mid400 · TOPIX Small, Japan Large Cap (Nikko AM)  
TOPIX-17 (Nomura AM, Nomura AM ),
- **April 2008**            **CSI 300 ETF (China A share, Nikko AM)**
- June 2008             Commodity ETF: SPDR Gold Shares (WGC, SSgA)
- July 2008              Ibovespa (Brazil, Nomura AM)
- September 2008      REIT ETF: J-REIT ETF (Nomura AM)
- October 2008         EasyETF S&P GSCI (AXA)
- April 2009             Thematic ETF: FTSE Japan Green Chip 35 (Nikko AM)
- **June 19<sup>th</sup>, 2009**    **Bond index ETF: iBoxx ABF Pan-Asia (SSgA)**

## ETFs Listed Globally(End of Q1 2009)

### •ETFs in the world

	US	Europe	Asia	Others	Global
ETFs	690	672	161	112	1,635
AUM(US \$ Bn)	430.15	135.60	46.91	20.89	633.55

### •Change in number of ETFs

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Mar-09
ETFs	3	3	4	21	21	31	33	92	202	280	282	336	461	714	1,171	1,590	1,635

Data as of end May 2009

Source: Global ETF Research & Implementation Strategy Team, Barclays Global Investors, Bloomberg



At the end of Q1 2009 the Global ETF industry had 1,635 ETFs with 2,857 listings, assets of \$633.55 billion, from 87 providers on 43 exchanges around the world.

# New Regulatory Frameworks for ETFs



---

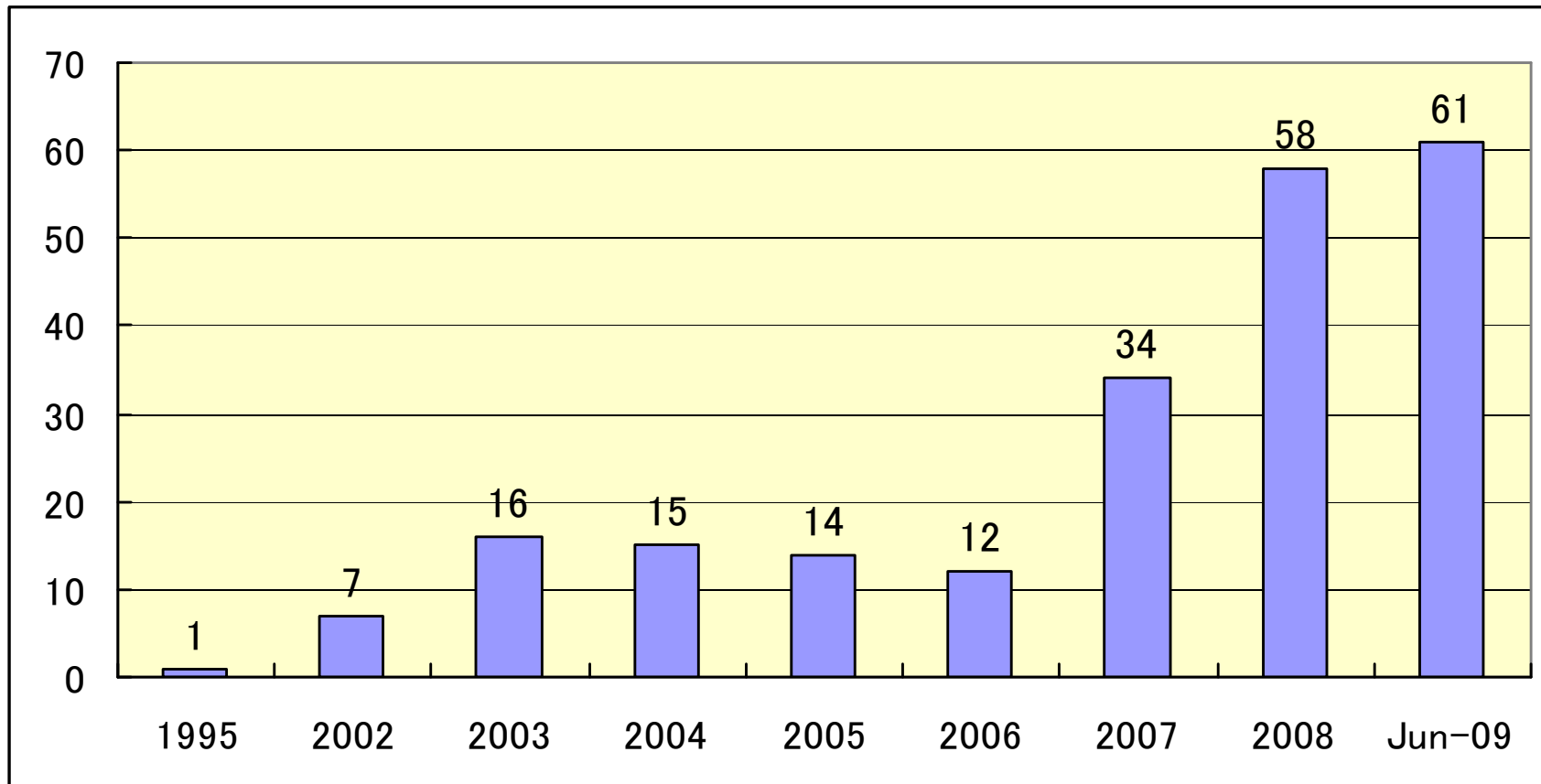
- **December 2007**

- Financial Services Agency's Plan for Strengthening the Competitiveness of Japan's Financial and Capital Markets
  - **Diversification of asset classes for ETFs**

- **June 2008 – December 2008**

- Related legislations revised
- Elimination of FSA rule which designates indices eligible for ETFs to track (August 2008)
- Underlying assets to be expanded:
  - ◆ Securities other than stocks (June 2008)
  - ◆ Physical commodities & commodity derivatives (December 2008)

# Numbers of ETFs



(Note) As of the end of the fiscal year

---

---

- **Change over the past year**

- To make its markets more attractive, TSE is striving to expand the range of ETFs available.
- As part of this initiative, TSE has modified the ETF listing system (closer to Western standards), etc. and is engaging in a range of promotional activities.
  - Off-auction trading (cross trading) introduced (June 2008)
  - “Foreign ETF Supporter” introduced (July 2008)
  - Investment unit lowered (September 2008)
  - Listing System amended along with legislative reforms (December 2008)
  - Revision to Listing System of company-type foreign ETF (May 2009)
  - Modification of Listing system for cash trust type ETF (July 2009)

- **TSE’s mid-term business objectives (2008 – 2010)**

- the number of ETF issues listed to rise to 100 by fiscal 2010
  - 13 as of end of 2007, expanded to 61 by June 2009