

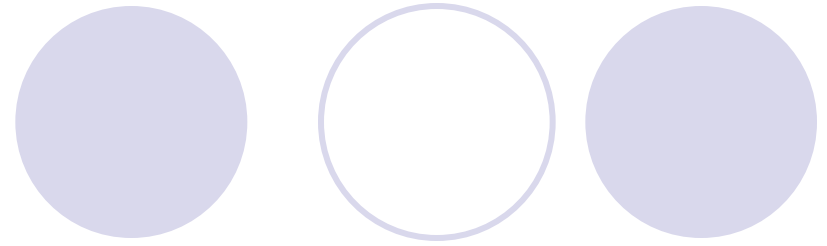
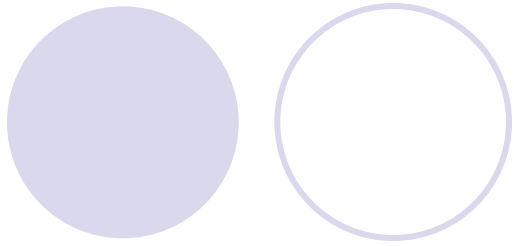
JSDA's Role in the Japanese Bond Market

30 April 2011, Beijing

Hideaki Matsunaga
General Manager

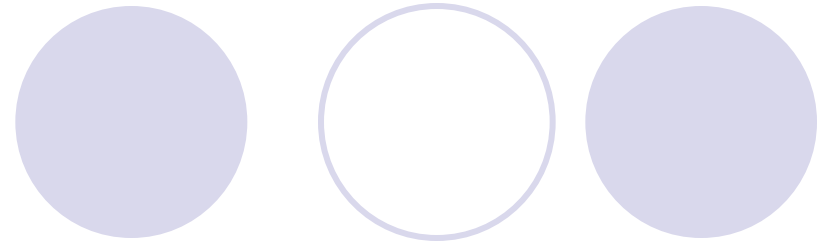
Self regulation Division 2
Japan Securities Dealers Association





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About JSDA

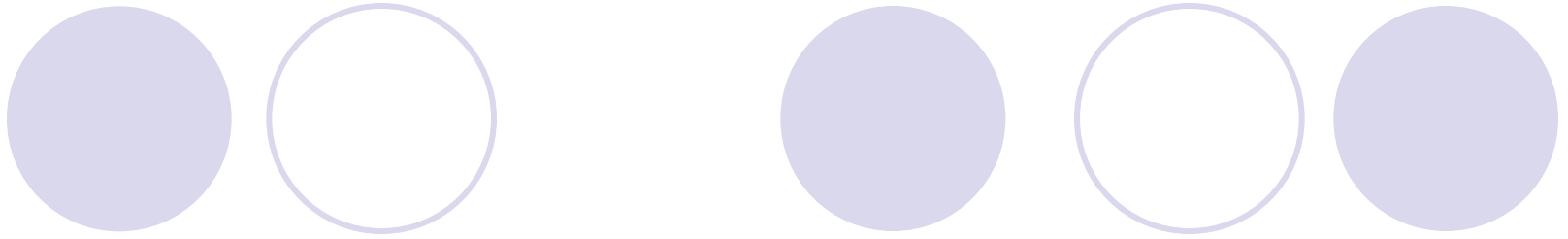


➤ Association Outline

- Japan Securities Dealers Association (JSDA) is a hybrid association functioning as a self-regulatory organization (SRO) and as a trade association in the Japanese securities market.
- Its legal status is a Financial Instruments Firms Association authorized by the Prime Minister pursuant to Article 67-2, Paragraph 2 of the Financial Instruments and Exchange Act (FIEA).
- Today JSDA comprises more than 500 members consisting of securities firms and other financial institutions operating securities businesses in Japan.

➤ Purposes

- JSDA was established to contribute to the protection of investors by ensuring fair and smooth trading in securities or other transactions by Association Members and to promote the sound development of the Japanese financial instruments business.



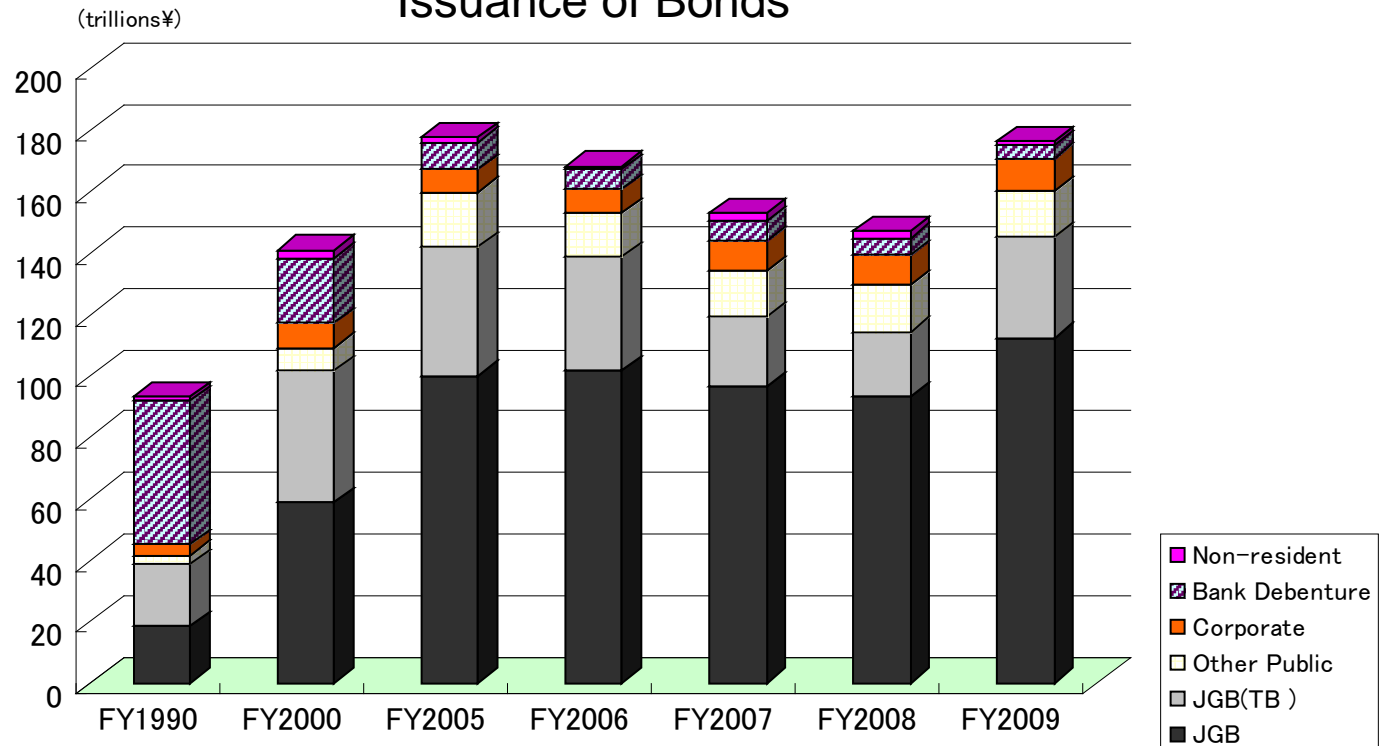
➤ **Types of members**

Association Members are categorized into three groups:

- **Regular Members** (⇒ security firms, 295): Financial Instruments Business Operators operating Type I Financial Instruments Business (excluding, however, OTC Derivative Transaction Members stated in 2. below)
- **Special Members** (⇒ banks and others, 219): Registered Financial Institutions prescribed in Article 2, Paragraph 11 of the FIEA.
- **OTC Derivative Transaction Members** (0): Financial Instruments Business Operators operating Type I Financial Instruments Business that only conduct Specified OTC Derivative Transactions, etc. and those that only conduct Specified OTC Derivative Transactions, etc. and OTC Financial Futures Transactions, etc.

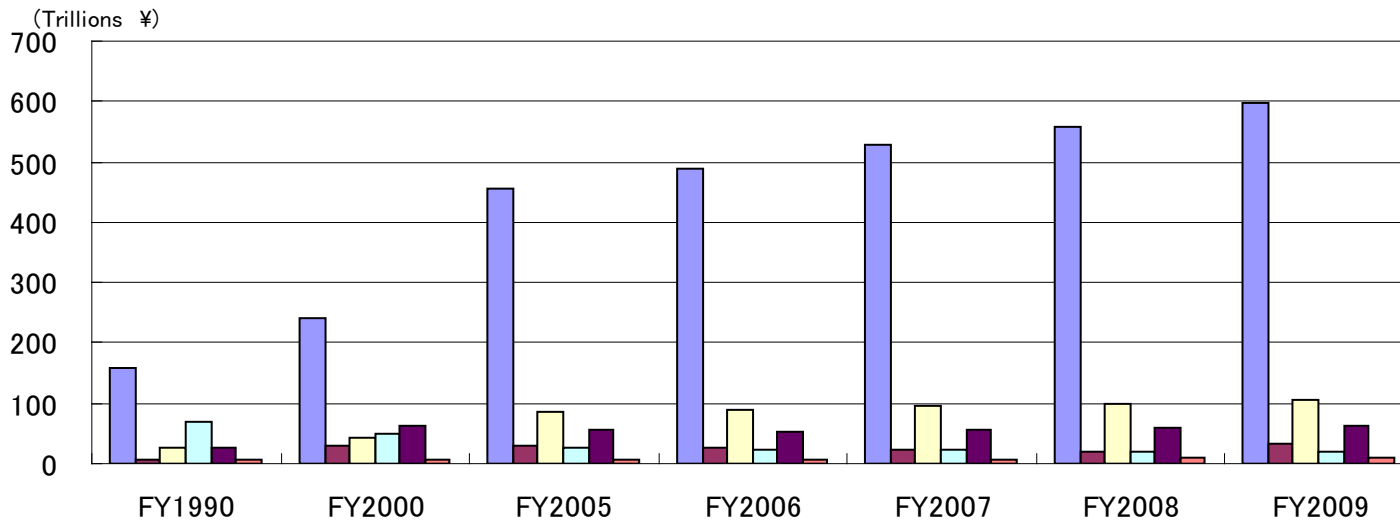
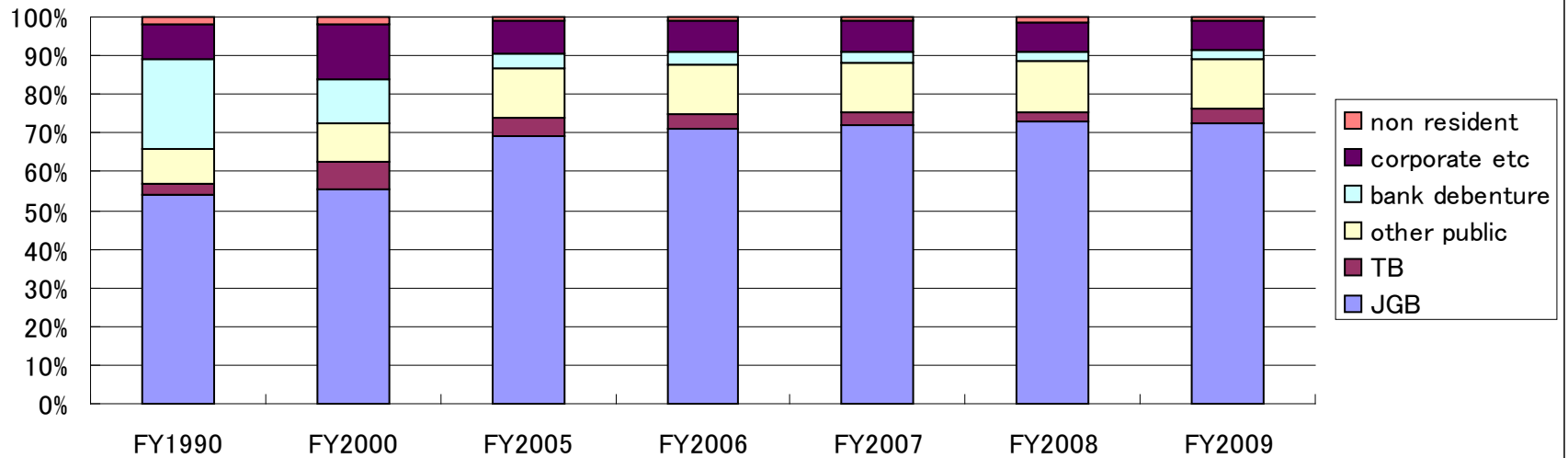
Overview of Japanese Bond Market

Issuance of Bonds

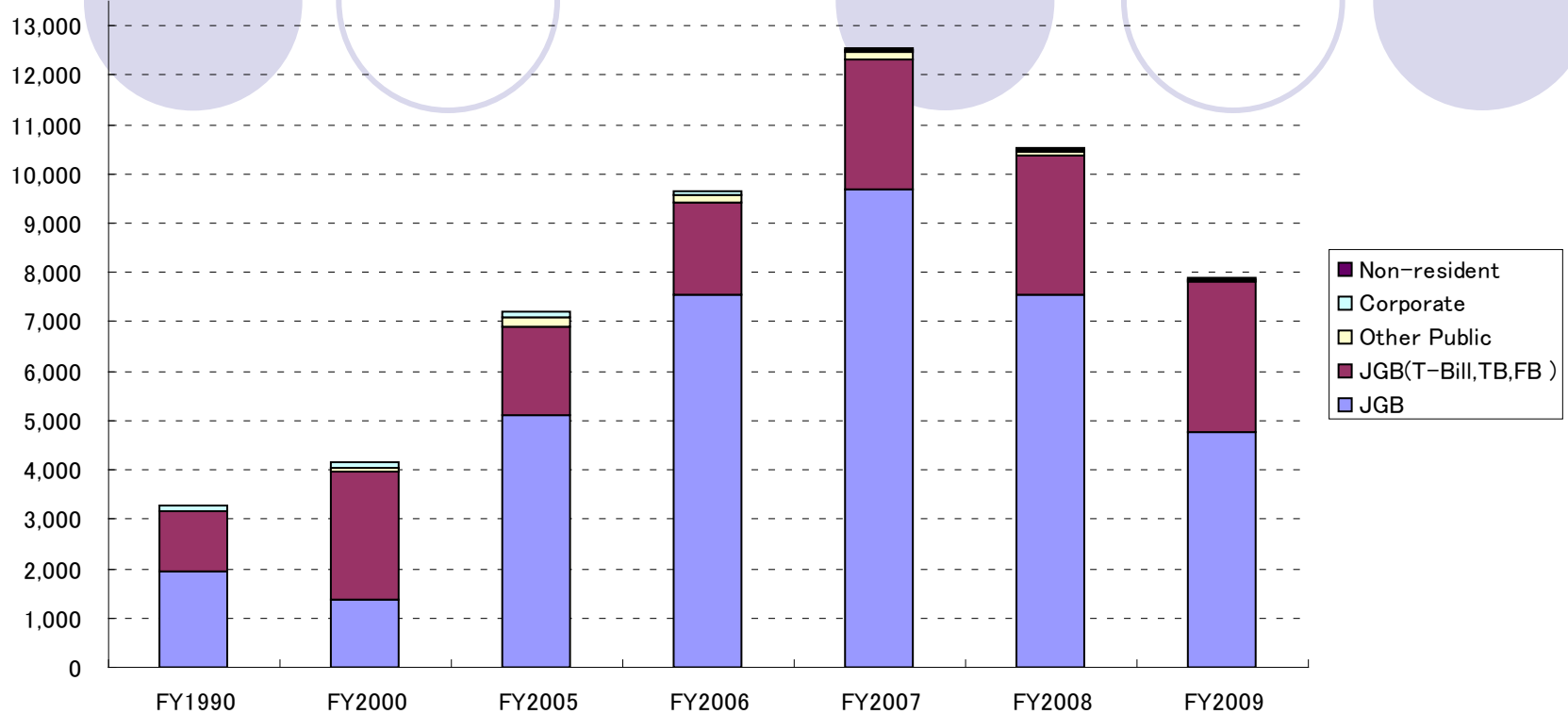


	FY1990	FY2000	FY2005	FY2006	FY2007	FY2008	FY2009
JGB	18.3	58.8	100.1	101.8	96.4	93.2	112.4
JGB(TB)	20.5	42.8	41.9	36.8	22.8	21.0	32.9
Other Public	2.9	7.5	17.9	14.6	15.0	15.3	15.0
Corporate	3.4	8.3	7.4	7.5	9.6	9.9	10.6
Bank Debenture	46.9	21.0	8.8	6.7	6.5	5.5	4.2
Non-resident	1.4	2.6	1.6	0.8	2.6	2.1	1.2
Total	93.2	141.0	177.6	168.1	152.9	147.0	176.3

Outstanding Bonds



Trading Volume of Bonds



	FY1990	FY2000	FY2005	FY2006	FY2007	FY2008	FY2009
JGB	1,961	1,389	5,122	7,555	9,695	7,566	4,756
JGB(T-Bill, TB, FB)	1,195	2,583	1,779	1,863	2,628	2,795	3,057
Other Public	28	80	197	153	134	76	48
Corporate	98	92	112	79	70	67	40
Non-resident	3	5	13	9	8	8	5
Total	3,286	4,148	7,223	9,660	12,534	10,512	7,905

Self-Regulation in the Bond Market

➤ **JSDA SRO Rules and Guidelines**

(Self-Regulatory Regulations)

- **Regulations Concerning Publication of Over-the-Counter Trading Reference, etc. , of Bonds and Trading Prices**
- **Regulations Concerning Foreign Securities Transactions**
- **Repurchase Agreement Transaction (Gensaki Transaction)**
- **Bond Loan Transaction with Cash**
- **Transactions of Bonds with Options**
- **Regulation Concerning OTC Trading of Inflation-Indexed JGB , etc...**

(Uniform Practice Rules)

- **Rules Regarding Solution of Fail in Bond Clearing and Settlement , etc...**



(JSDA Guidelines)

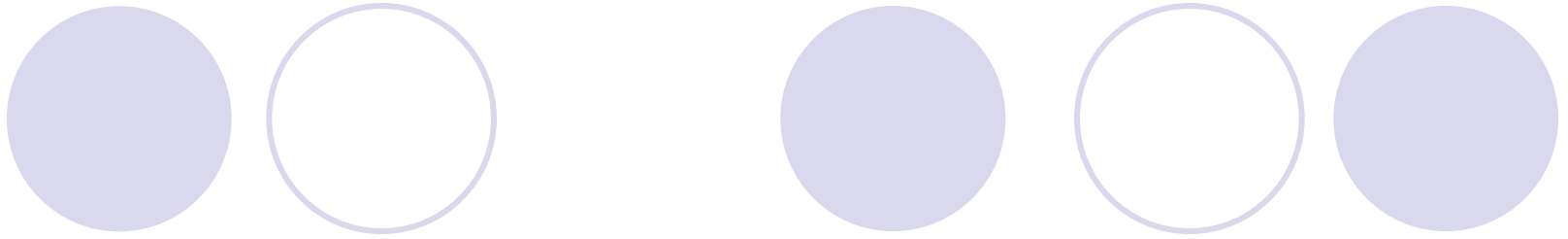
- **JSDA Guideline to Ensure the Fairness in OTC Transaction of Bonds**
- **The Japanese Government Securities Guidelines for Real Time Gross Settlement**
- **Book-entry Transfer Guideline for “Corporate Bonds”**
- **JSDA Guideline for When-Issued Transaction of Japanese Government Bonds, etc...**

Initiatives for Market Expansion

➤ Study Group to Vitalize the Corporate Bond Market

Established on July, 2009, the Study Group has worked as a forum to discuss various issues relating to the current conditions and ideas for vitalization of the Japanese corporate bond market. A wide range of market participants and experts have been involved in the discussions.

The Study Group prepared a report, entitled “Toward Vitalization of the Corporate Bond Market. In this report, JSDA summarizes the problems currently existing in the Japanese corporate bond market and indicates concrete measures to realize a more efficient corporate bond market with higher transparency and liquidity.



□ Measures for vitalization of the corporate bond market in Japan

✓ Review of underwriting examination by securities companies

To promote flexible issuance of corporate bonds and reducing compliance costs, we need to discuss the following items, review the underwriting examination process by securities companies, and find a way to cease the above mentioned market practices concerning underwriting examinations:

- (i) Underwriting examination scheme of securities companies,
- (ii) Roles and handling of comfort letter,
- (iii) Principles to clearly share responsibilities under the FIEA and full dissemination of them.



✓ Measures to cope with default risk

(i) Granting of covenants and information disclosure

(ii) Credit risk of corporation and corporate bond management




✓ Development of infrastructure for disseminating corporate bond price information

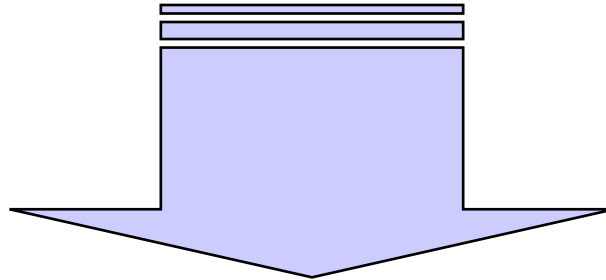
If we want to increase the issuance volume of corporate bonds, we need to expand the secondary market for corporate bonds and ensure the liquidity of corporate bonds. For this purpose, we need to increase the transparency of the secondary market to properly disclose transaction prices and quotations.

(i) Publication of transaction price

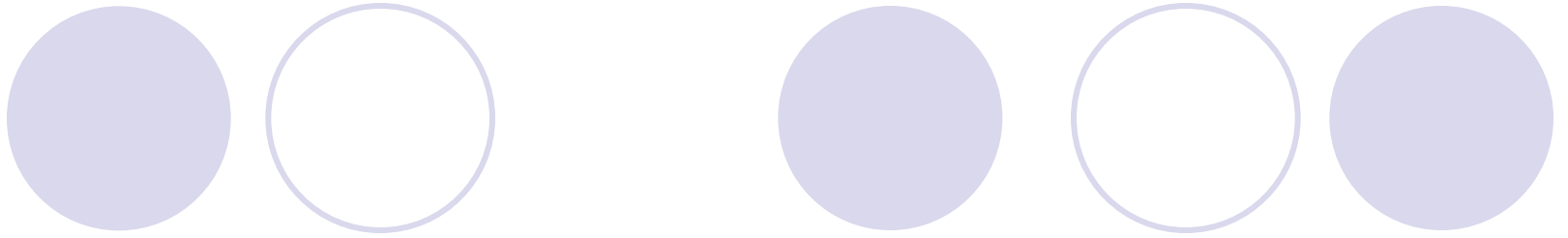
(ii) Improvement of credibility of the Reference price*

** In Japan, JSDA manages the system of Reference Statistical Prices [Yields] for OTC Bond Transactions as part of the corporate bond price information infrastructure . Under the system, JSDA receives quotation information from securities companies and publishes the average price, median price, and highest and lowest prices for each issue.*

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- Further enhancement of the transparency and liquidity of bond market
 - Contribution to the diversity of corporate bond issuers, improvement of usability, and diversification of the asset management methods (thereby creating a market easily accessed by professional institutional investors, etc.)



- Facilitating Japanese financial and capital markets to play a international role suitable to Japan's economic scale in the global market.
- Enabling foreign firms and investors including those from Asian region to enter actively into our market.



Thank You

