

**Minutes of the 10th Meeting of the Committee for  
Reform of the Securities Clearing and Settlement System**

Date: Friday, November 2, 2001 from 3:00 p.m. to 4:20 p.m.

Venue: Meeting Room #1 of the JSDA

- Agenda: 1. Detailed Outline of the Framework for Demutualizing Central Securities Depositories (Expert Advisory Committee on Converting Central Securities Depositories (CSDs) into a Joint Stock Company)
2. Others
- (1) Present Status of Deliberations by the Committee for Reform of the Securities Clearing and Settlement System
  - (2) Progress of the Deliberations on the Reform of Securities Settlement System outside the Committee
  - (3) Revision of the Fundamental Functions of an Integrated Clearing Institution for Street-side Equity Settlement

**Minutes of Meeting**

Because there had been changes in committee members, the meeting was started after introductions were made.

Chairman Maeda (Professor of the Legal Department, Gakushuin University) led the meeting by commenting that a Working Group on Reform of the Securities Settlement System had been formed by the First Subcommittee of the Financial System Council, in which the Financial Services Agency act as secretariat, and had begun deliberation on additional issues arising from the process of revised legislation. He expected that this would accelerate legislative progress in the necessary legal revisions. Then the meeting entered the agenda.

1. Detailed Outline of the Framework for Demutualizing Central Securities Depositories (The report of Expert Advisory Committee on Converting Central Securities Depositories (CSDs) into a Joint Stock Company)

Mr. Nakai, Managing Director of Nomura Securities Co., Ltd., and the Chairman of the Expert Advisory Committee on Converting Central Securities Depositories (CSDs) into a Joint Stock Company, gave a report on the Detailed Outline of the Framework for Demutualizing Central Securities Depositories, which was approved without dissention. (See appended materials “ Demutualization Framework of Japan Securities Depository Center (JASDEC) ” ) <http://www.jsda.or.jp/html/pdf/e-report0111.pdf>

In keeping with the process suggested by the above report, a new company will be established in December of this year, following which the current JASDEC, Incorporated Foundation will transfer its operations to the new company. In the meantime, those concerned will make the necessary preparations to allow the new company to begin operations as a joint stock company as soon as possible after the full enforcement of the revised Central Securities Depositories Law on April 1, 2002.

With regard to the outstanding issues on the Disposal of the Remaining Assets of the Foundation , it was

approved that the Advisory Committee will continue to deliberate the details of how the assets should be disposed. Based on the direction of the discussions on reform of the securities settlement system in the Financial System Council and including a consideration of the most effective way to use the assets in the process of reform of the securities settlement system, the Committee is looking at returning the assets to a public financial or securities organization.

And it was approved that once the Advisory Committee had completed the deliberation of the remaining issues on its agenda, it would be dissolved.

## 2. Others

The Committee then heard reports on the following three issues and held related discussions.

### (1) State of Deliberations of the Committee for Reform of the Securities Clearing and Settlement System

- The Secretariat reported on the progress of the deliberations of following four working groups.
- New Settlement System for Non-JGB Working Group (est. June 2000)
- Working Group on the Promotion of a DVP Settlement System and Applications of the Clearing Function (est. June 2000)
- Expert Advisory Committee on Converting Central Securities Depositories (CSDs) into a Joint Stock Company (est. Dec. 2000)
- Securities Settlement System Reform Promotion Working Group (est. Dec. 2000)

The Secretariat also reported that in the United States, the SIA had revised the time schedule for realization of T+1 settlement by extending one year from June 2004 to June 2005. In Japan, it reported, the Securities Settlement System Reform Promotion Working Group was also considering a new time schedule for reforms, having finally established goals for implementing a DVP scheme for all products and a new settlement system and in considerations of expectations that the bill for a new settlement system for non-JGB bonds should come to the Diet during its regular session in 2002.

### (2) Progress of the Deliberations on the reform of Securities Settlement System

The Secretariat examined the process of the deliberations on the securities settlement system in Japan by reporting on the current legal, market, and system infrastructures.

### (3) Revision of the Fundamental Functions of an Integrated Clearing Institution

The Secretariat presented a report on Revision of the Fundamental Functions of an Integrated Clearing Institution done by the Practitioners Deliberation Committee which was consisted of practitioners in the business field and set up separately from the Committee for Reform of the Securities Clearing and Settlement.

**Please note that this outline is provisional and may be revised.**