

**Minutes of the 18th Meeting of the Committee for
Reform of Securities Clearing and Settlement System**

Date: Wednesday, May 24, 2006 from 10:00a.m. to 11:05a.m.

Venue: Meeting Room #1 of JSDA

Agenda: 1. Deliberations in the Promotion Meeting for Reform of Securities Clearing and Settlement System
2. Deliberations in JASDEC
3. Current situation in JSCC
4. Others

Minutes of Meeting

1. Deliberations in the Promotion Meeting for Reform of Securities Clearing and Settlement System

The secretariat explained the deliberation situation in the working group for discussion on the implementation of dematerialization of stock certificates. The themes on the deliberation for “Communization of the Milestone for the implementation of the new system” are 1) Deliberation status in discussion groups of the members, 2) thrashing out the future deliberation articles (revised) and 3) summary of the business schedule for the concurrent implementation and 4) concurrent implementation date set by the practical business world. Two themes for “Publication and enlightenment for the implementation of the new system are 1) report on the current status of publicity and enlightenment for the implementation of the new system and 2) cross-industrial publicity and enlightenment.

In addition, it was agreed that “the target enforcement date set by the practical business world” to be January 2009 and “Activity plan for the publicity and enlightenment” was approved.

2. Deliberations in JASDEC

Mr. Ohmae (executive director of JASDEC), the deputy chairman of the Committee made report as follows;

1) Corporate bonds

Book-Entry Transfer System for “Corporate Bonds” started on January. 10. 2006 as planned. It currently deals with over 8,200 brands and balance of 10 trillion yen. Over all, there are 60,000 brands and balance of 220 trillion yen, which means the system deals with one tenth of entire brands and one twentieth of total balance. It is considered to be good start.

Transition of the already-issued bonds to the new system has been also implemented while that of the cash bonds started in April 2006. Moreover, the transition of registered bonds will start in November 2006. The transition of cash bonds and registered bonds must be completed as the favorable tax treatment for such bonds will end on January. 6. 2008. JASDEC would appreciate your continuous cooperation.

2) Outline of Dematerialization of Stock Certificates

The direction for “Handling of fractional figures at split down” and “handling of descriptions have limit on share holding for aliens” were indicated last spring, in the conference of the involved parties for the government ordinance. In response to this, JASDEC established “subcommittee for Dematerialization of Stock Certificates” in April 2005, in order to discuss the business routines of the book-transfer system after dematerialization of stock certificates.

The members of the subcommittee include securities companies, banks, issuers, transfer agents and the stock exchanges while Justice Ministry, Financial Serviced Agency and Bank of Japan have joined as observers of the committee. In addition, four section meetings were established for each deliberation themes.

“Outline of Dematerialization of Stock Certificates (interim)” was released in October 2005, and the final “Outline” was formulated and released in March 2006 (its points were reported today based on the explanatory meeting material).

3) JASDEC’s activities for Dematerialization of Stock Certificates

The explanatory meetings were held in 10 sites from April through June 2006 in response to establishment of the outline of Dematerialization of Stock Certificates. In addition, the explanatory meetings for issuers are planned to be held in July.

The system development and elaboration of the business routine are to be focused now that the main structure of the business routine for the book-entry system after dematerialization was established by the outline. The subcommittee for the Dematerialization of Stock Certificates will be held on May. 29. 2006 for “the System General Information Manual” to be discussed.

3. Current situation of JSCC

Current situation and future plan of JSCC were reported by Mr. Fujiwara, General

Manager and Member of Board.

1) Revision on a part of Clearing Fund System

The outline of revision on the clearing fund system was determined by JSCC in March 2006.

The clearing fund changes its required amount changes every month, however, problems could occur as the fund can not response to the rapid change. For example, if a participant increases the commercial volume at short notice, the amount in the Fund is too small for the risk JSCC takes.

In order to improve the Clearing Fund System, it was planned to make the monthly application period earlier for the Fund's requirement as well as to concretize criteria for the application regarding the temporary change of the Fund's requirement for cash. This revision will start in July 2006.

2) Clearing service fee for cash transaction

JSCC compiled an outline of revision of clearing fees in December 2005.

The principal of the clearing fee structure, the core of JSCC's profit is that participants of clearing pay for service fees, which varies depending on how much they use JSCC services. The current fee structure does not consider the number of the debt-underwriting, which is the major cost factor. This has made it difficult for all the participants to have fair and beneficial fee charge.

For a fair charge between participants, the fair charge system based on the debt-writing number shall be installed along with the current system based on the amount.

In addition, the fixed service fee system is to be adopted for a fair fee structure, considering the constant running cost such as the system maintenance and the maintenance fee for clearing participants' license. This fee system requires all the participants to pay for the same amount of service fee regardless the amount of transactions.

The fixed service fee system will start in October 2006 as clearing participants insisted the need enough preparation periods.

4. Others

The secretariat made report on two points as follows;

- 1) The publicity activity plan for the securities industry
- 2) The press release is planned to be held after this meeting to announce "the target enforcement date set by the practical business world", which was approved earlier in the meeting.

Regarding this document, please contact to:

Reform Promotion Center For Securities Clearing And Settlement System

Japan Securities Dealers Association

TEL. 03-5649-3980

Please note that this minutes is provisional and may be revised.