

Outline of 5th Round Table Committee Meeting on Securities Settlement and Clearing

(Date)	From 3:00 to 4:15 p.m. on 13th January, 2000
(Venue)	Meeting Room #1 of the JSDA
(Agenda)	A. Discussion Point Memo on DVP Settlement B. Others

1. Outline of meeting:

- The Discussion Points Memo on Settlement and Clearing Cycle of Securities Transactions was delivered to members and the Settlement and Clearing Cycle Working Party Chairman Nakai provided a status report. The memo was submitted to a working group on the reform of settlement and clearing system in Japan of a governmental body, the Financial Council. A question and answer session followed the report.

- A draft of the Discussion Points Memo on DVP Settlement was submitted to the meeting. DVP Working Party Chairman Okitsu provided a verbal report about the above report. A question and answer session followed the report. The meeting agreed to submit the memo to the relevant working group of the Financial Council on 26th January.

2. Outline of the Discussion Point Memo on DVP Settlement Basic Policies

Introduction

- (i) DVP settlement is an important method to mitigate settlement risk, and must be realized in line with settlement and clearing system reform.
- (ii) To maintain and improve our international competitiveness, DVP settlement in Japan must meet global standards.
- (iii) It is recognized that DVP settlement contributes to mitigation of settlement risk, but it can be costly (development of computer systems and implementation of risk hedge measures).

- (iv) To ease the cost burden of risk mitigation through DVP settlement, comprehensive reform of the settlement and clearing system will be necessary.

I. Present status and future direction for realizing a DVP settlement and clearing system

1. Products

- (1) Government bonds
- (2) Corporate bonds
- (3) Stocks traded on stock exchange markets
- (4) Stocks traded on JASDAQ market
- (5) Other stocks
- (6) Securities investment trusts
- (7) Commercial papers

2. Instructions for trade confirmation and settlement

3. Book entry system, etc.

II. Themes to be discussed comprehensively

1. Risk hedge measures for DVP by netting

2. Timing of settlement and clearing

3. Measures against transaction failures (fails)

4. Securities lending

5. Comprehensive netting for payment

- (1) DVP and netting
- (2) Linkage and integration with clearing houses
- (3) Participants in netting

(4) Systemic risks

III. Other discussion points