

## **Outline of Establishment of the Committee for Reform of Securities Clearing and Settlement System**

July 1999

Japan Securities Dealers Association

### 1. Background

A secure and efficient securities clearing and settlement system will build an infrastructure in the securities market. In this regard, Japan is behind in its settlement system according to international standards in spite of the assiduous efforts of those concerned, and it has become the central issue on market reform to build up securities clearing and settlement system which is suitable to an internationally competitive capital market.

The U.S. and European countries are committed to striving for the reform of securities clearing and settlement system, aiming at “T+1 settlement”, with globalization of securities trading and challenge of global market competition currently faced.

There are securities clearing and settlement systems set up individually for each product in the Japan market. To achieve “STP” and “T+1” settlement, however, it is by no means satisfactory to reform the systems separately. It is therefore in urgent need of concrete deliberations to aim at a unified system that the market participants can utilize widely, targeting the products collectively that are traded in the securities market.

It requires a smooth conversion from the current securities clearing and settlement system to frame a unified system. For this purpose, we need to secure coordination and discussion based on the practical business, and to unite the efforts of those concerned to implement the securities clearing and settlement system along the principle of market reform. Also, we can avoid the redundancy of improving such separate systems by cooperation and share of information among those concerned.

To consider the actual conditions of securities trading, we need the concrete proposals for reviewing a legal framework on the assumption of physical securities in order to improve its efficiency.

## 2. Establishment of the Committee

The Committee for Reform of Securities Clearing and Settlement System (hereinafter referred to as “the Committee”), which Japan Securities Dealers Association presides over and those concerned can participate in extensively, will be established. The Committee is designed to provide a place for discussion of fundamental issues on establishment of new securities clearing and settlement system, based on the awareness of the issues expressed in the clause 1 “Background”.

It is expected that the effect of deliberation by the Committee will be reflected in the future governmental deliberations on the reform of securities clearing and settlement system.

## 3. Main items on the agenda

What is a prerequisite for a globally competitive securities clearing and settlement system?

How does Japan lag behind the U.S. and European countries in the securities settlement system?

Do we need to establish an institution like DTC in the U.S?

How should we consider the cost burden of the integrated system?

## 4. Structure

The Committee will consist of the members who can deliberate from the viewpoint of policy, based on the expert knowledge on the issues of securities trading and securities clearing and settlement system

Expert Advisory Committee, which will be set up under the Committee, will proceed with deliberations in parallel.

As the occasion demands, the officials of the government agencies concerned may participate in the Committee (including Expert Advisory Committee) as the observers.

A jurist will be appointed as the chairman of the Committee.