

CSDs: JASDEC (Japan)

Date: 23 Jun 2008

SMI Markets: Japan

CMIRR Markets: Japan

Dematerialisation of Securities - Update

In an update to our previous newsflash, some further details have been disclosed on the dematerialisation of the securities in Japan. The key points are as follows:

Key Dates:

Dates	Events	Comments
Now until 19 December 2008	Deposit period	
1 October 2008 - 19 December 2008	Transition period for FOL shares	All FOL shares should be deposited in JASDEC
22 to 30 December 2008	Frozen period	Deposit and withdrawal of physical certificates will not be permitted
5 January 2009	Effective date of dematerialisation	All the shares held in JASDEC will be in dematerialised form and the book-entry system will start operating

Note: the Effective date of dematerialisation is at this stage a tentative date subject to an official announcement.

Securities to be Dematerialised:

The securities to be dematerialised include listed equities, listed and unlisted subscription rights (warrants), listed and unlisted corporate/convertible bonds, listed Real Estate Investment Trust, listed preferred equities.

Treatment of Foreign Ownership Limit (FOL) Shares:

Under the current system, FOL is tracked by transfer agents through physical registration process.

Under the dematerialisation, JASDEC participants will be required to report the foreign shareholding of the FOL shares to JASDEC on a daily basis. JASDEC will then publish it on its website for information purposes.

The procedures for distributing corporate entitlements for FOL shares are yet to be officially announced.

Account Management Institution (AMI):

To hold dematerialised securities, all shareholders must have an account with one of the AMIs. JASDEC is to introduce the following three types of AMIs:

1. Direct AMI: e.g. local sub-custodian and other direct participants of JASDEC;
2. Indirect AMI: e.g. local financial institutions that does not have an own account with JASDEC;
3. Foreign Indirect AMI (FIAMI): this status will be similar to the Foreign Indirect Participant (FIP) status granted by the Bank of Japan. JASDEC is yet to announce the application procedures to become a FIAMI.

Shareholders' Information Database:

The transfer agents will continue to maintain the Shareholders' Register under the system.

Nevertheless, JASDEC will act as the shareholders' information repository and facilitate the flow of information between shareholders and listed companies through various intermediaries.

JASDEC (Japan)

Impacted Risk Type: Liquidity Risk

Current Rating = AA-

Flash Impact = Positive

Impacted Risk Type: Operational Risk

Current Rating = AA-

Flash Impact = Positive

The move to a scripless system should improve liquidity since securities will now be held in dematerialised form in the depository. At present, the settlement period of physical securities is prolonged when investors hold the certificates themselves. Dematerialisation will also benefit firms who will not have the cost associated with the issue and checking of certificates. The dematerialisation of securities also eliminates the operational risk surrounding the safekeeping of physical certificates (e.g. loss, theft, damage), and reduces cost associated with the administration of the documentation.

Market Information Impact

Japan

This information affects the data contained in the Safekeeping/Post Settlement sections of the Securities Market Information Service.

Infrastructure Risk Ratings Impact

Japan

Market Rating: A+

Market Flash Impact: Stable

Impacted Risk Type: Liquidity Risk

Current Rating = AA-

Flash Impact = Positive

Impacted Risk Type: Operational Risk

Current Rating = A

Flash Impact = Positive

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Related Flash: [Dematerialisation of Securities - Update, 28/04/2008 \(click to view\)](#)

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