



Access to Japanese Markets

CFTC International Regulators Meeting

U.S.A.

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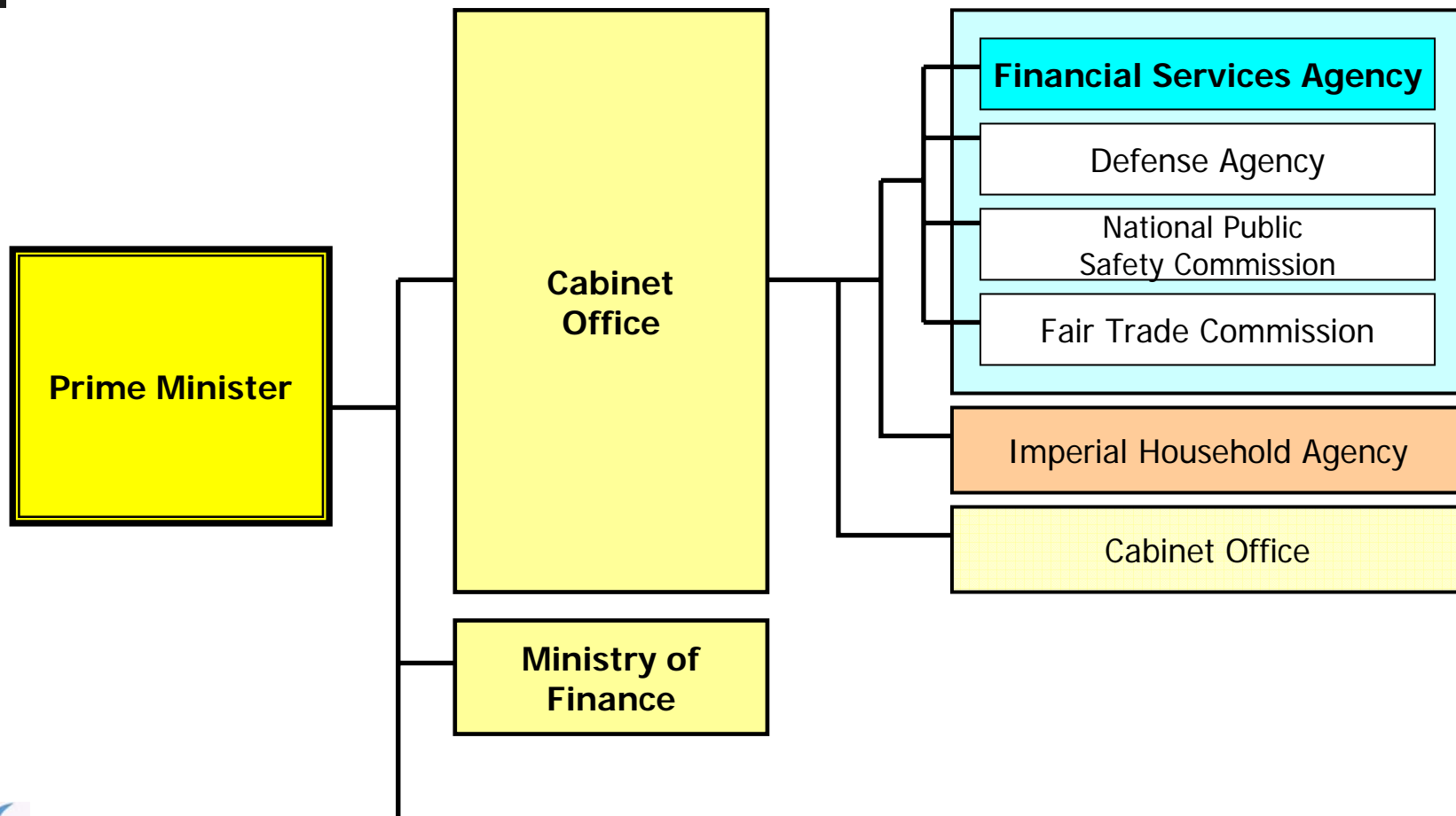
Financial Services Agency, Japan



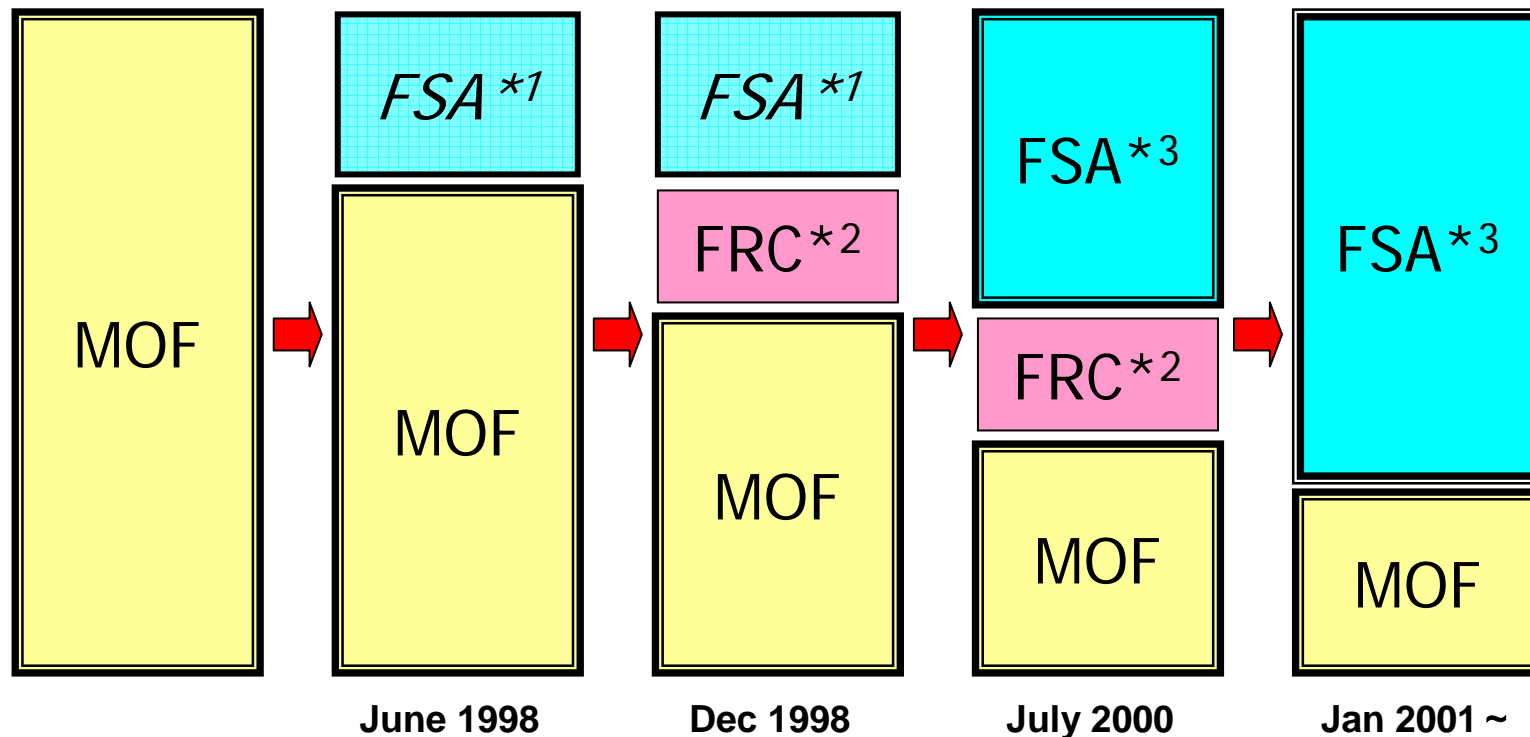
Agenda

- Structure of the FSA and regulatory outline
- Access to Japanese Markets
 - What we did – *already open markets*
 - Current situation – *active foreign investors*
 - Future measures – *seeking further development*

1. Financial Services Agency (1) - Position in the Government

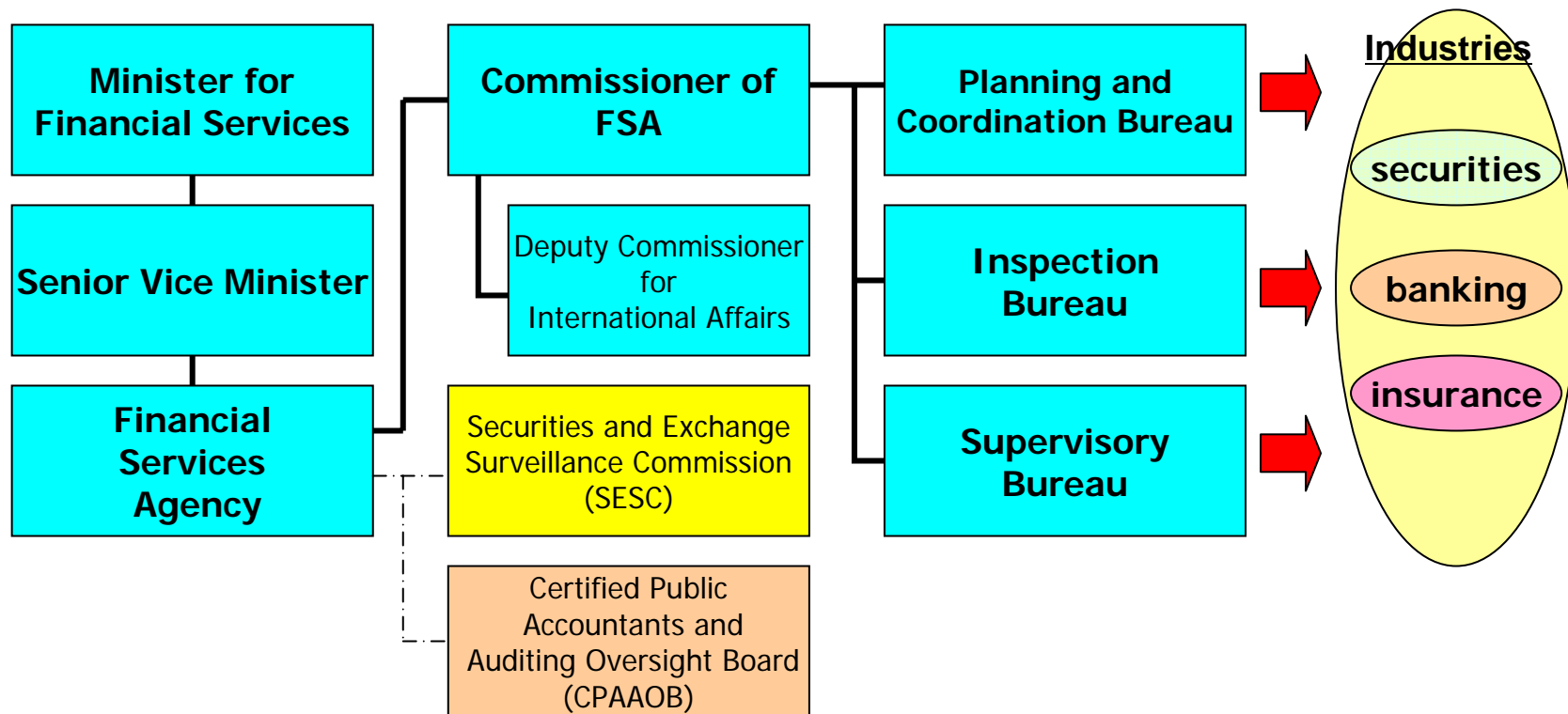


1. Financial Services Agency (2) - History

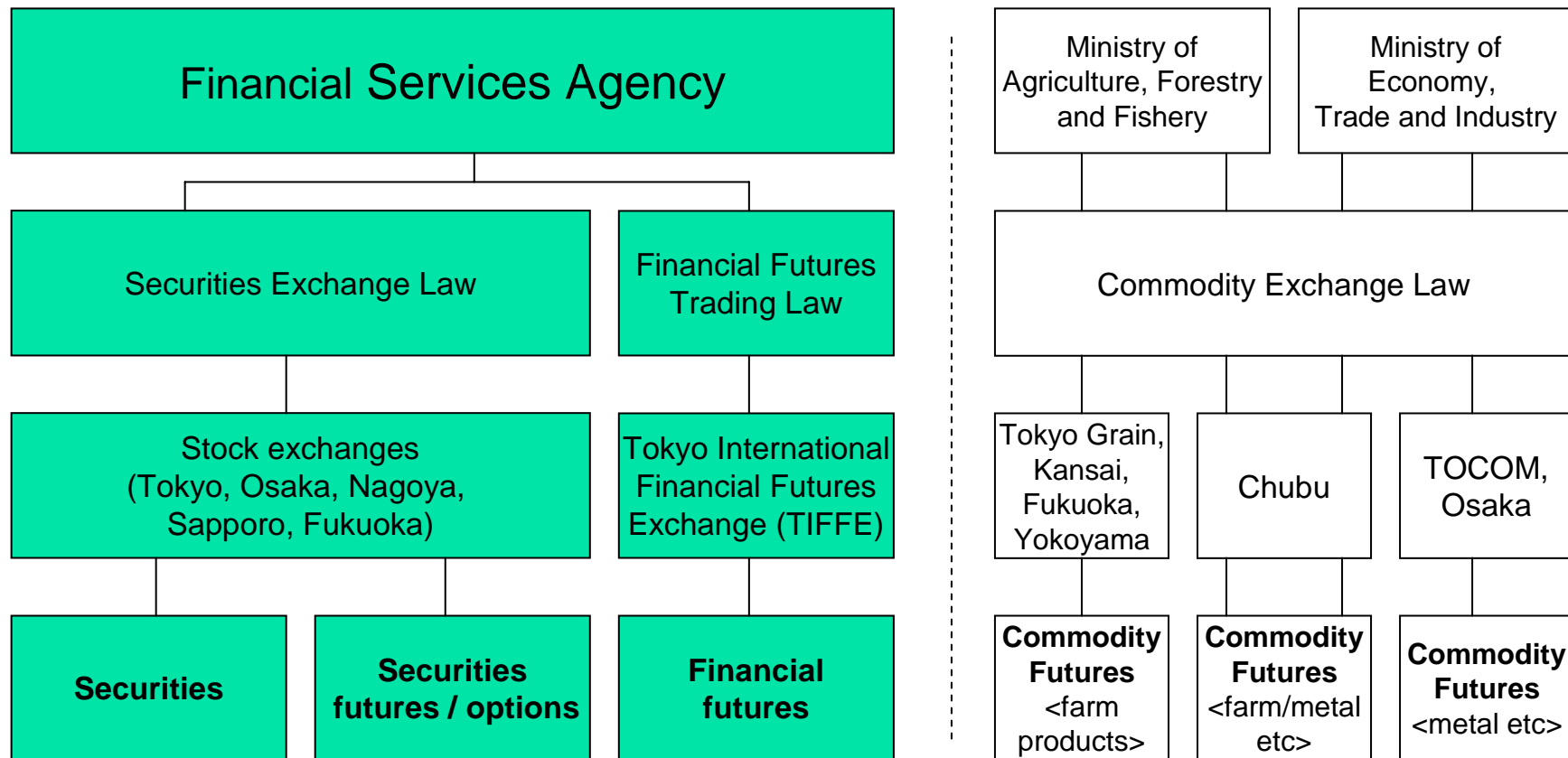


- *1 Financial Supervisory Agency
- *2 Financial Reconstruction Commission
- *3 Financial Services Agency

1. Financial Services Agency (3) - Organization

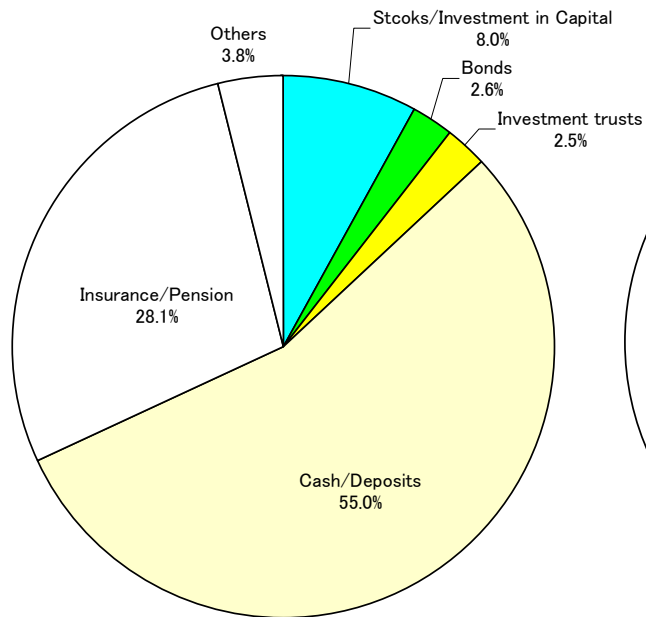


2. Regulatory Framework of Securities and Futures in Japan

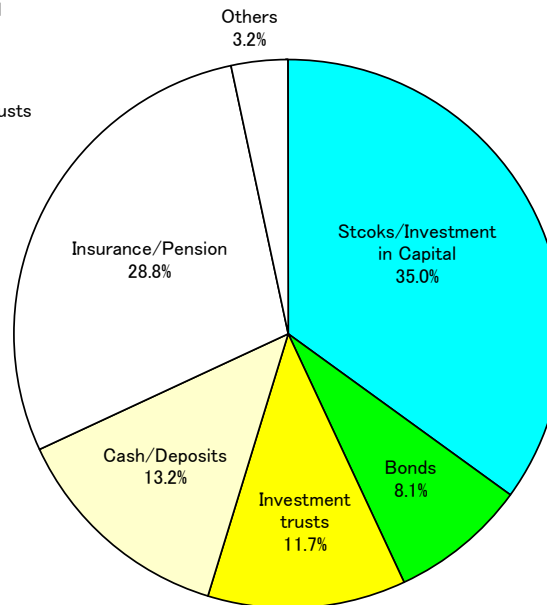


3. “From Savings to Investment”

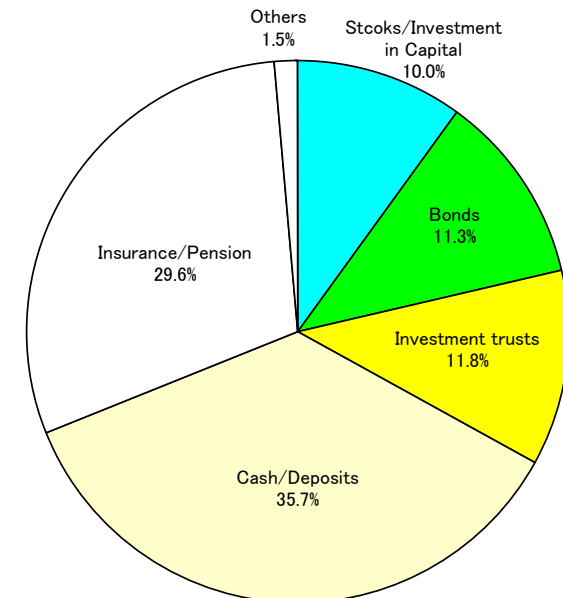
Japan (Sep '04)



US (Sep '04)



Germany (Dec '03)



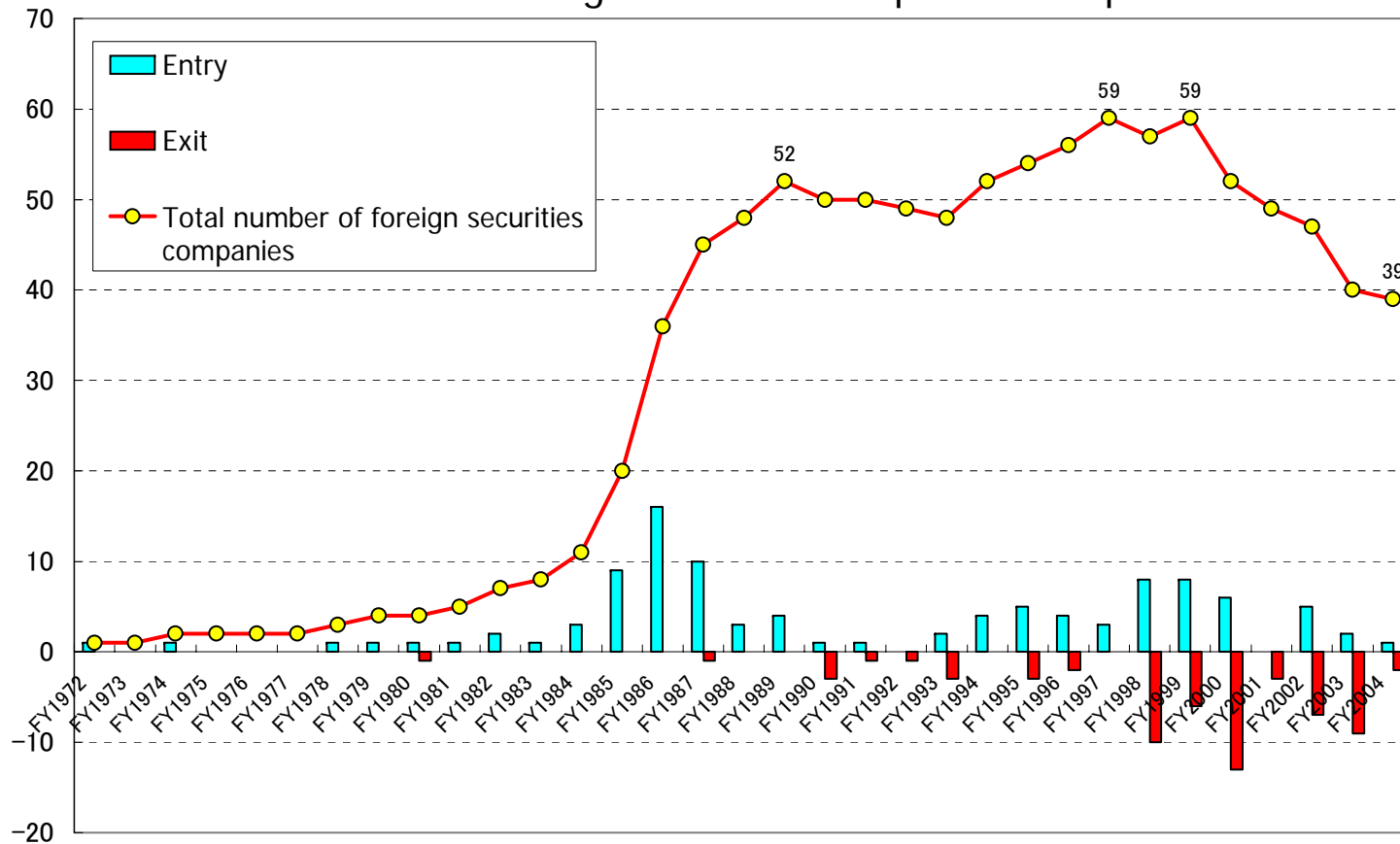


4-1. Encouragement of More Entry and Competition for Securities Companies

- Revision of the Securities and Exchange Law in 1998
 - Licensing system → Registration system
- Lowered minimum capital requirement for entry in 2004
 - JPY 100 mil → JPY 50 mil

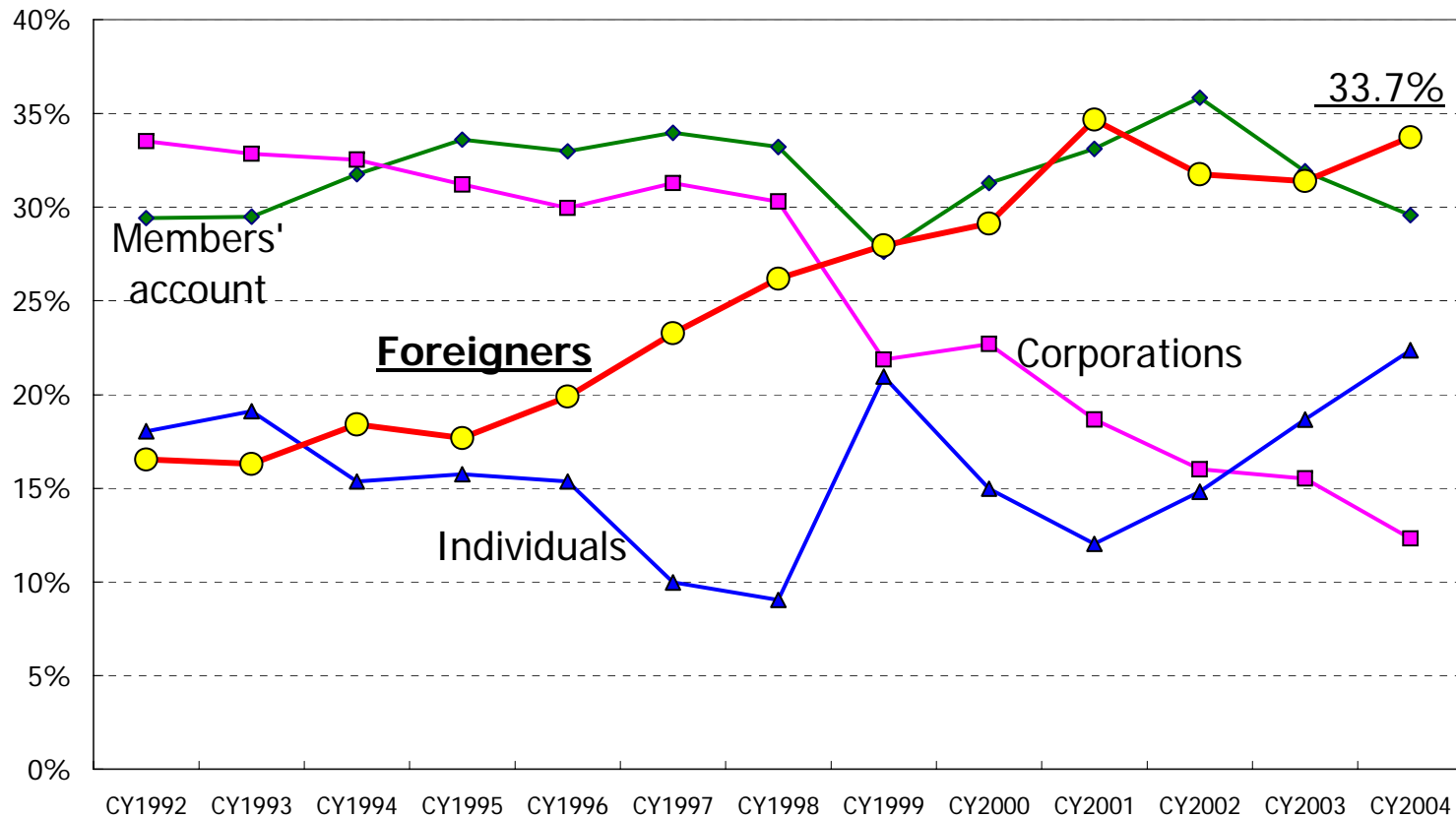
4-2. Number of Foreign Securities Companies

Number of foreign securities companies in Japan



5-1. Trading Volume of Listed Stocks by Investors (1)

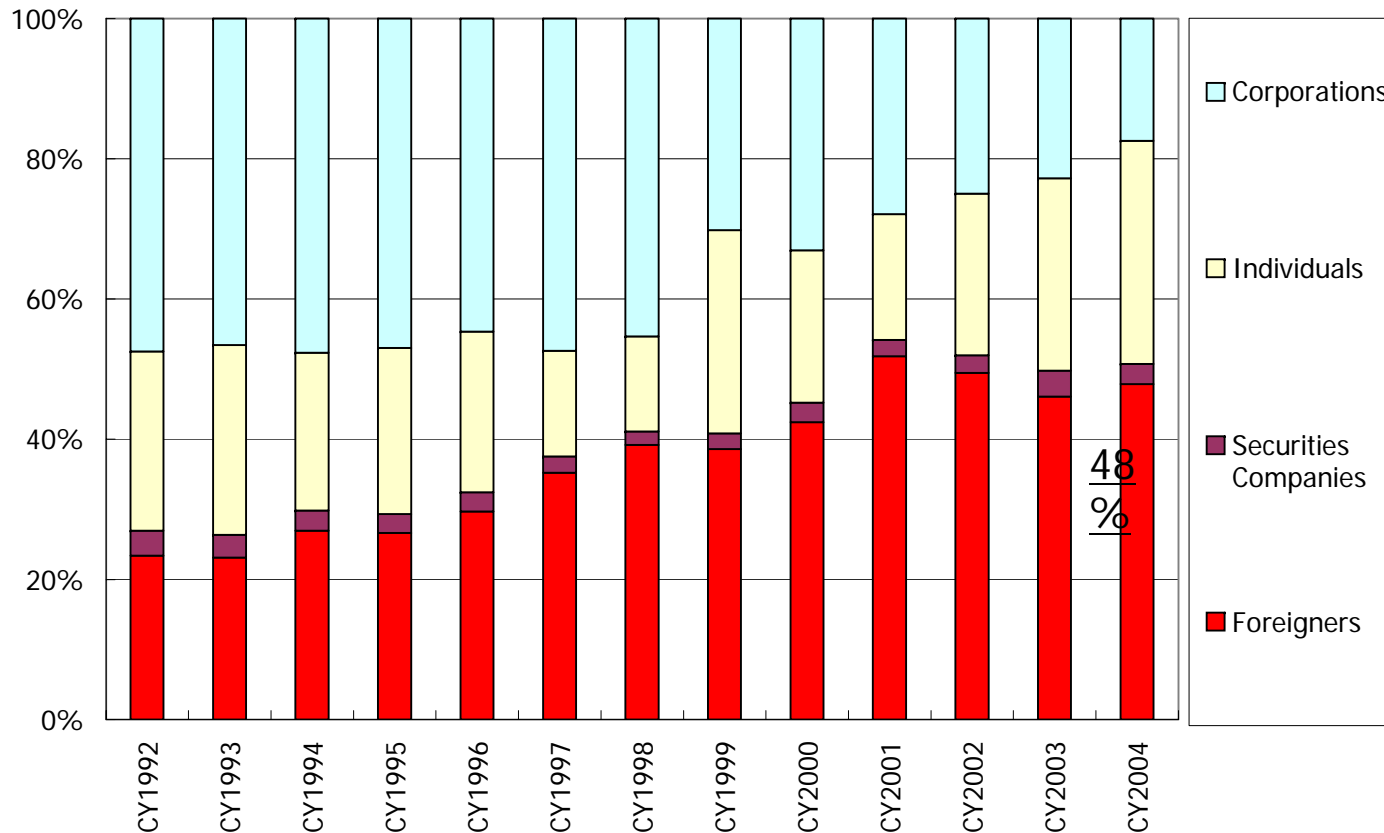
Trading Value of Listed Stocks by Types of Investors in Japan



Note: Figures refer to the total trading value of Tokyo, Osaka and Nagoya stock exchanges

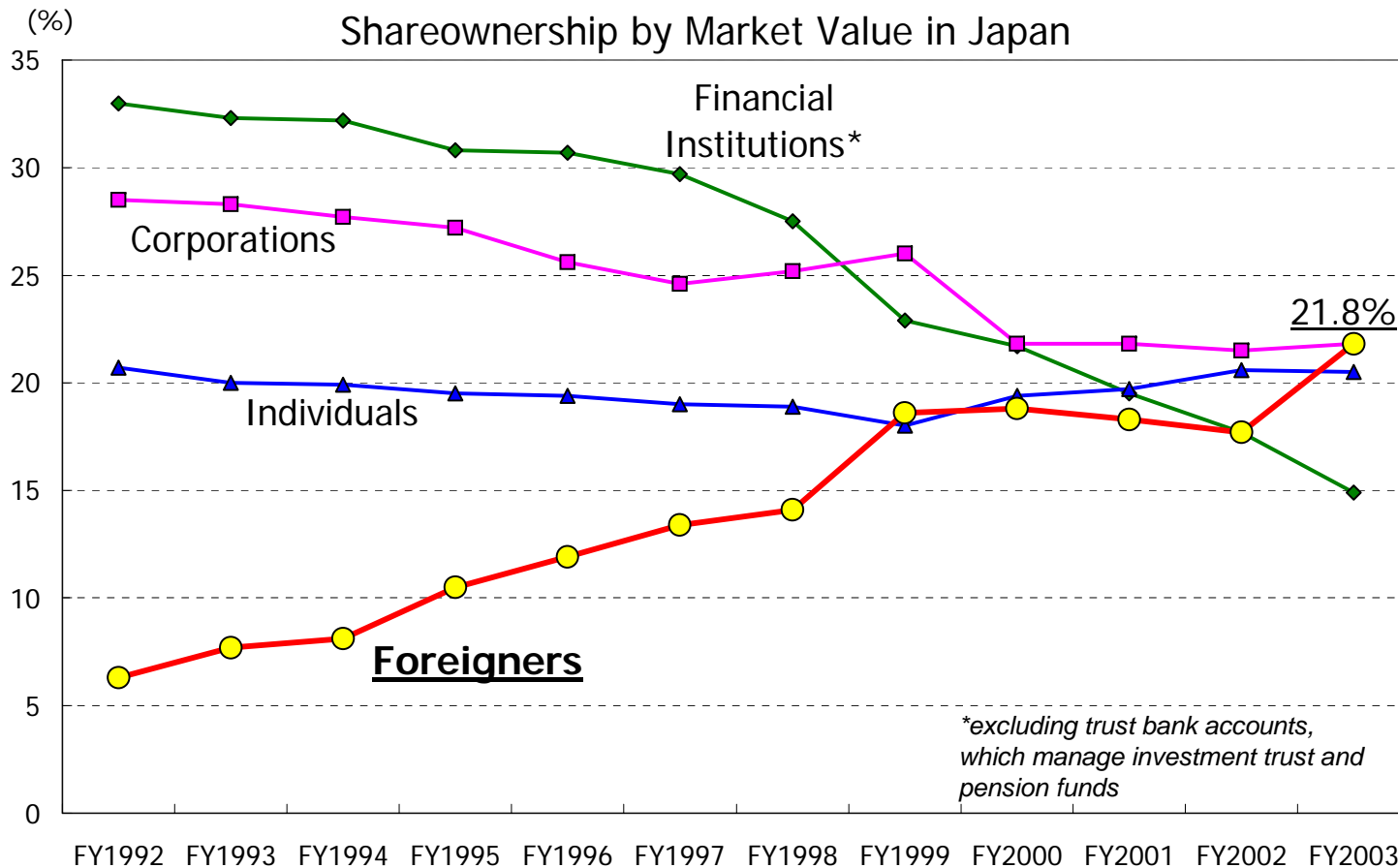
5-1. Trading Volume of Listed Stocks by Investors (2)

Trading Value of Listed Stocks by Types of Investors in Customers' Account



Note: Figures refer to the total trading value of Tokyo, Osaka and Nagoya stock exchanges

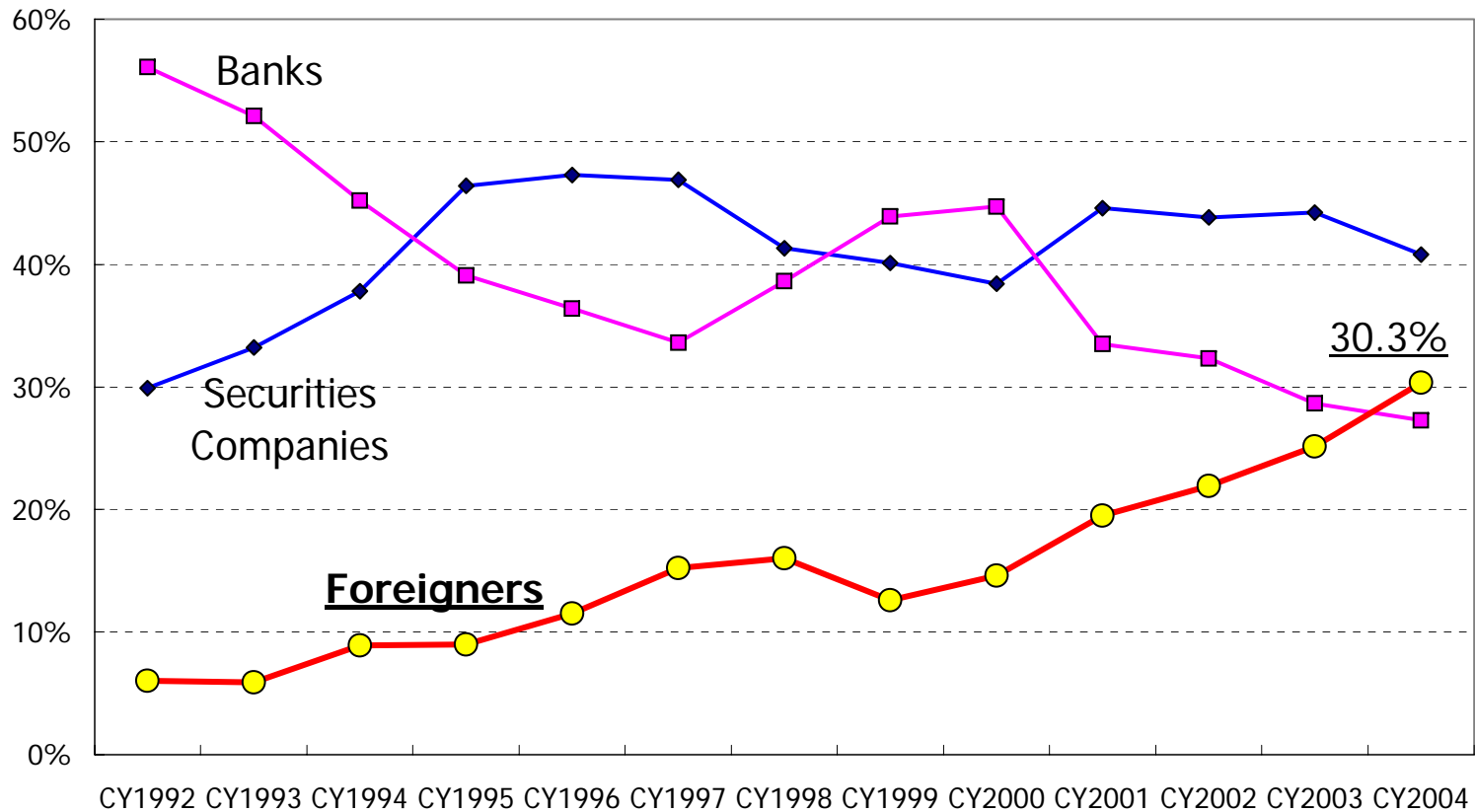
5-2. Ownership by Market Value



Note: Figures refer to the total trading value of Tokyo, Osaka and Nagoya stock exchanges

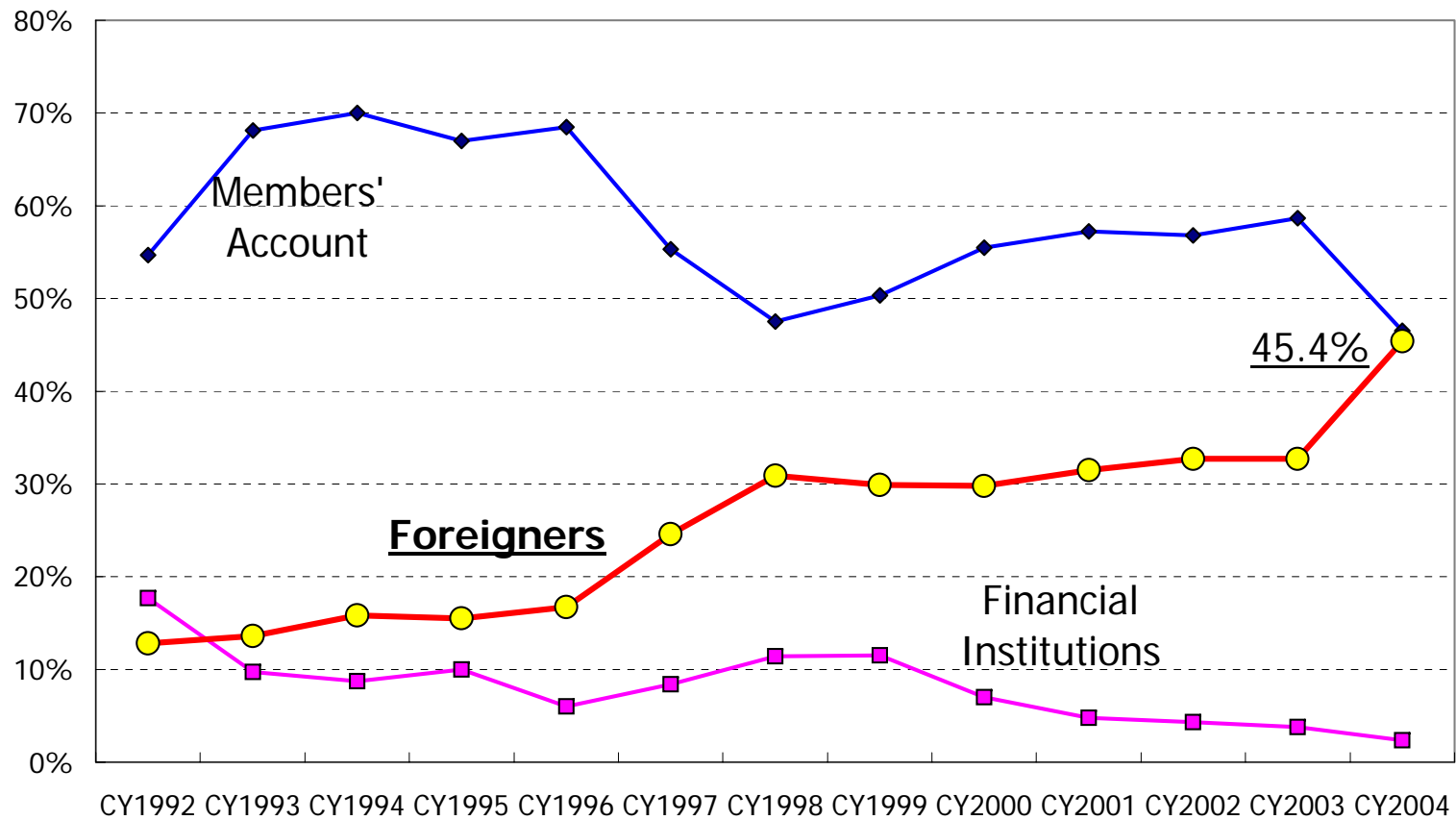
5-3. Trading Volume of JGB Futures by Investors

JGB Futures Trading Volume by Types of Investors



5-4. Trading Volume of Nikkei 225 Futures by Investors

Nikkei 225 Futures Trading Volume by Types of Investors





6. Program for Promoting Securities Market Reform (1)

- Announced on August 6, 2002
- 3 main themes
 - Development of securities markets easy to access for everyone
 - Establishment of securities markets that investors can invest with confidence
 - Establishment of efficient and competitive securities markets



6. Program for Promoting Securities Market Reform (2)

- Establishment of efficient and competitive securities markets
 - Reviewing comprehensively the Japanese markets from a medium-to-long term perspective
 - Reviewing the role of stock exchanges responding to globalization and the progress in Information Technology



7. Amendment of the Law

- May 2003: the bill to amend the Securities and Exchange Law passed the Diet
- April 2004: the amendment became effective
 - Terminal installment by overseas securities exchanges
 - Direct access to an exchange by foreign firms (remote membership)



8. Terminal installment by overseas securities exchanges (1)

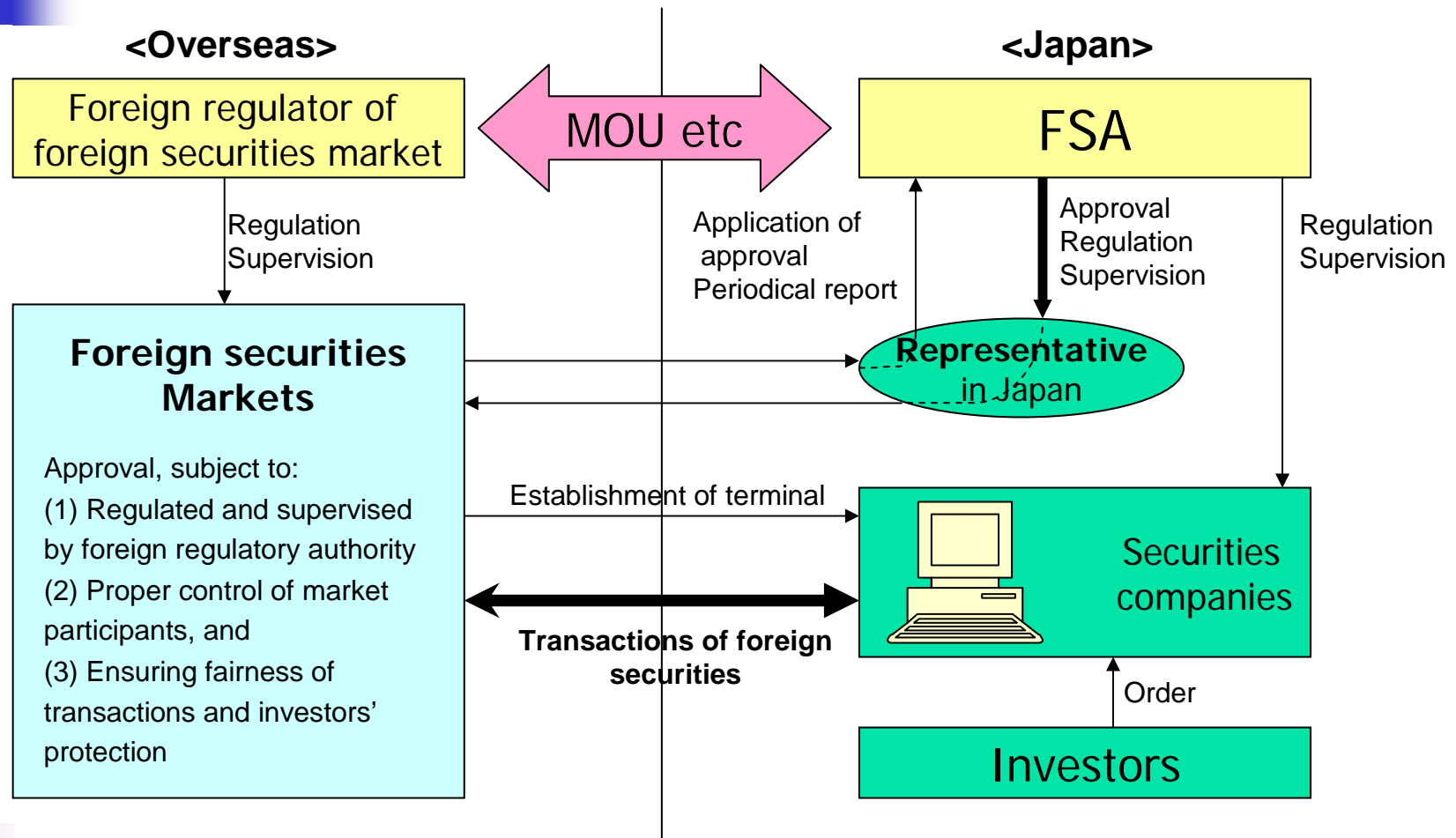
- Before amendment
 - Case-by-case response to requests for installing terminals in Japan by overseas securities exchanges
- After amendment
 - Enactment of definite rules from the viewpoint of investors' protection and ensuring transparency, properly considering international developments



8. Terminal installment by overseas securities exchanges (2)

- Requiring approval by the FSA, not requiring licensing for opening of a securities market
- Establishment of rules
 - Proper regulations and supervisions by overseas regulators
 - Framework of exchange of information
 - Monitoring requirements

8. Terminal installment by overseas securities exchanges (3)

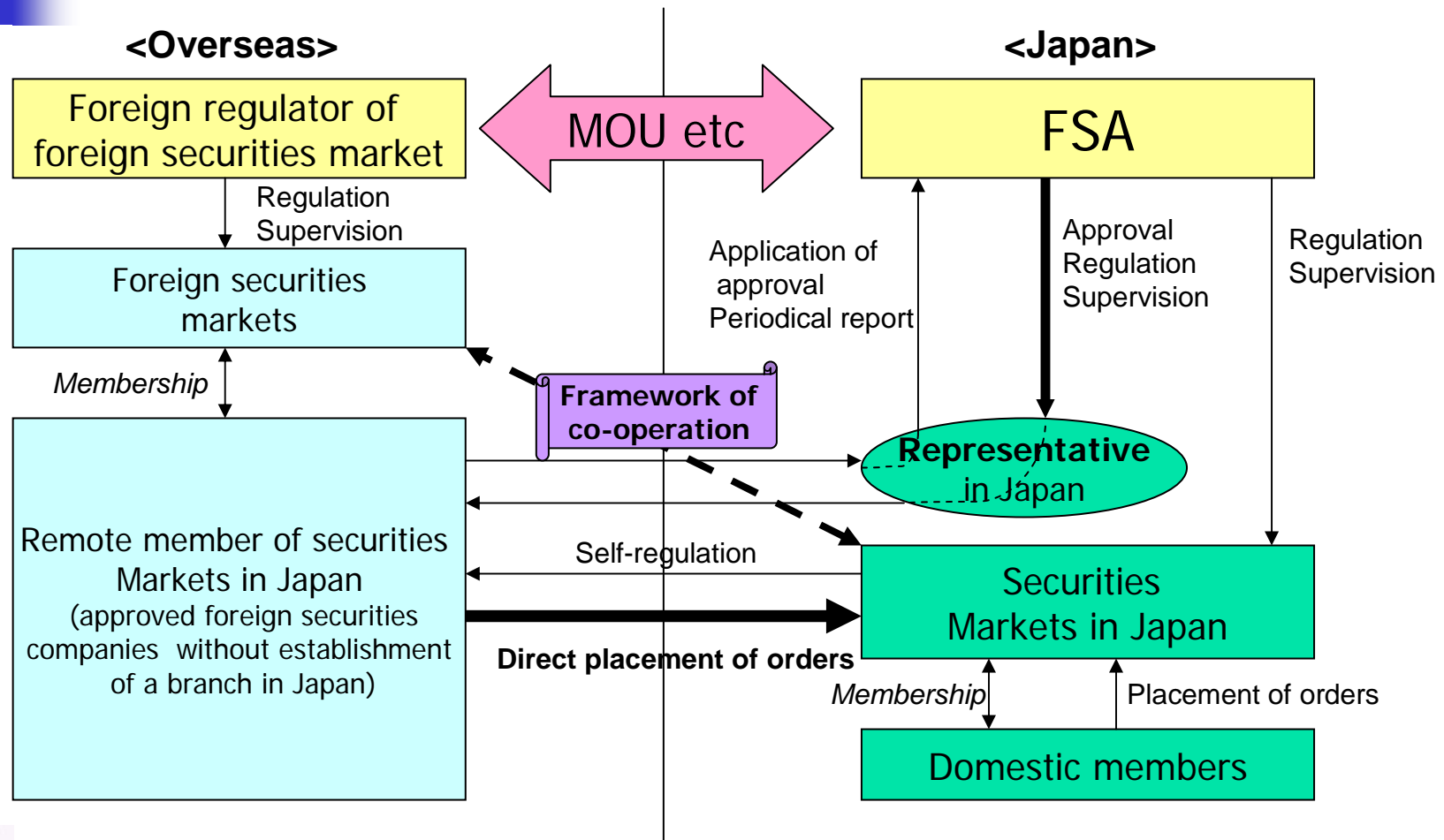




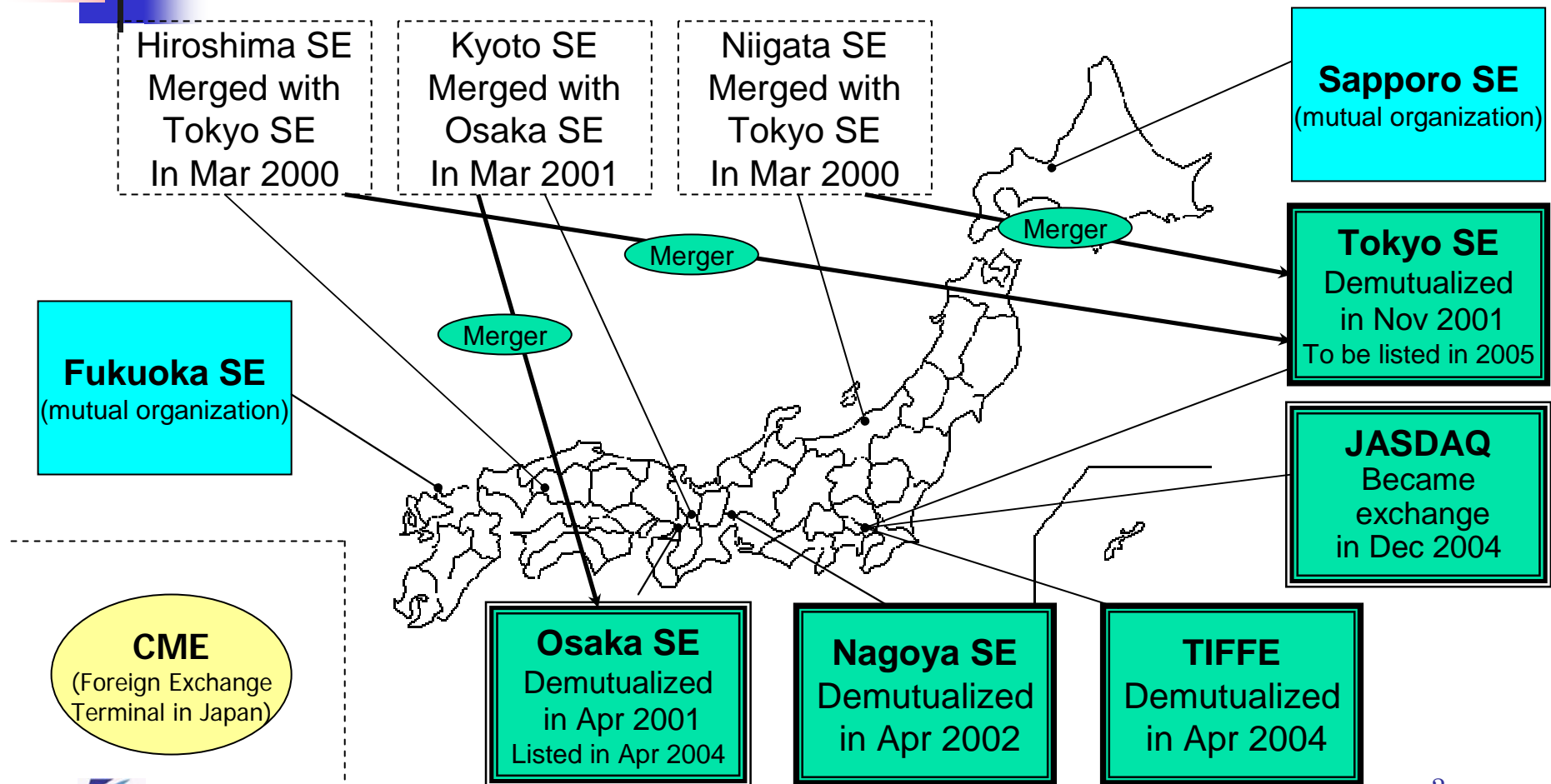
9. Remote Membership (1)

- Allowing membership of Japanese exchanges to overseas securities companies
 - Without requiring establishment of a branch in Japan
- Requirement for membership
 - Framework of exchange of information between regulators
 - Framework of co-operation between exchanges

9. Remote Membership (2)

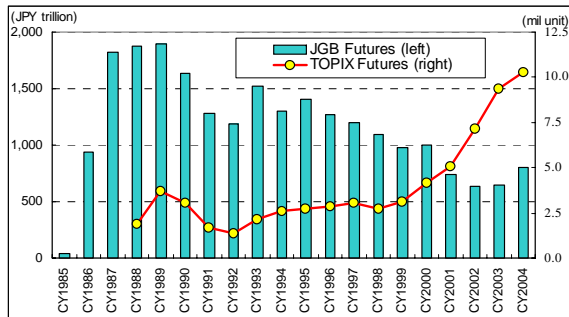


10-1. Exchanges in Japan – Merger, Demutualization & Listing



10-2. Futures Markets at a Glance

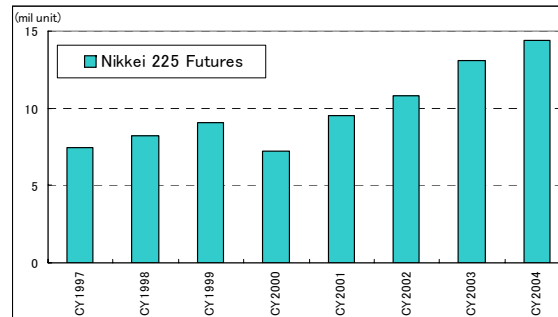
<Tokyo Stock Exchange>



Listed Products

- TOPIX Futures (Sep '88-)
- TOPIX Sector Index Futures
 - TOPIX Electric Appliances Index (Jan '98-)
 - TOPIX Transportation Equipment Index (Mar '98 -)
 - TOPIX Banks Index (Apr '98-)
- S&P/TOPIX 150 Futures (Jun '01-)
- TOPIX Options (Oct '89 -)
- S&P/TOPIX 150 Options (Jun '01-)
- Equity Options (Jul '97-)
- 5-year JGB Futures (Feb '96-)
- 10-year JGB Futures (Oct '85-)
- Options on 10-year JGB Futures (May '90-

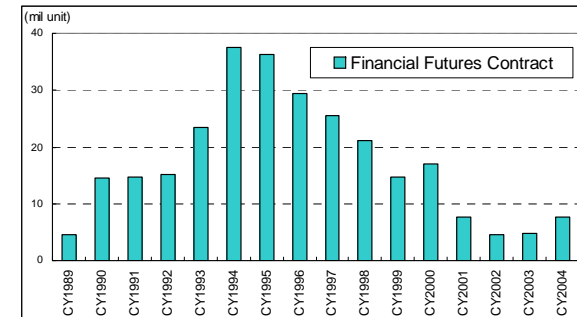
<Osaka Securities Exchange>



Listed Products

- Nikkei 225 Futures (Sep '88 -)
- Nikkei 300 Futures (Feb '94 -)
- Dow Jones Industrial Average Futures (Jul '02 -)
- MSCI Japan Index Futures (Jul '02 -)
- FTSE Japan Index Futures (Jul '02 -)
- Nikkei 225 Options (Jun '89 -)
- Nikkei 300 Options (Feb '94 -)
- Equity Options (Jul '97 -)

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Listed Products

- Three-month Euroyen Futures (Jun '89 -)
- Three-month Euroyen LIBOR Futures (Mar '99 -)
- U.S. Dollar-Japanese Yen Currency Futures (Feb '91 -)
- Options on Three-month Euroyen Futures (Jul '91 -)
- Five-year yen swap rate futures (May '03 -)
- Ten-year yen swap rate futures (May '03 -)

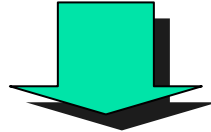


11. Possible New Products

- Under consideration/studying for listing in exchanges in Japan
 - Example:
 - Weather derivatives
 - CO₂ Emissions Trading

12. Recent Regulatory Development

- To address increased troubles on off-exchange forex margin transactions



- Amendment of the Financial Futures Trading Law (effective on July 1, 2005)
 - Brokers of off-exchange forex margin transactions shall be registered with FSA
 - International cooperation in financial futures transactions will be available



13. Program for Further Financial Reform (1)

- Announced on December 24, Japan's challenge: *"Moving toward a Financial Services Nation"*

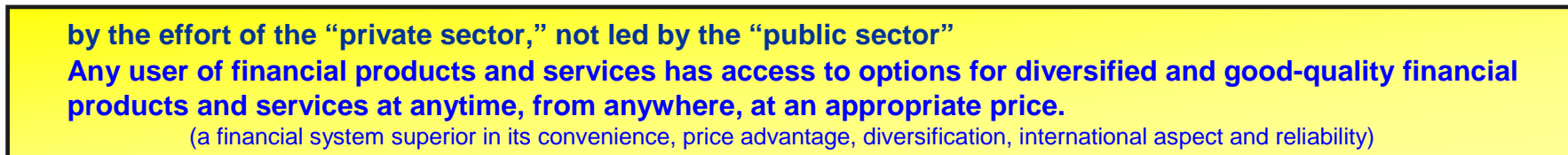
13. Program for Further Financial Reform (2) – Basic Concept

◇ Change of phases surrounding the financial environment

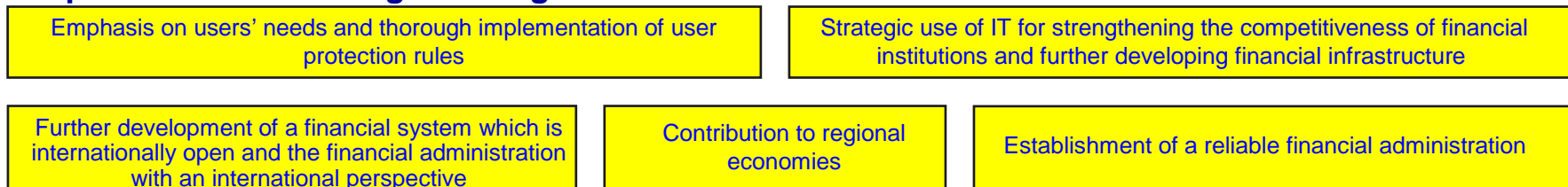
- From the emergency reaction phase to a desirable financial situation -



◇ Desirable financial system



◇ Five points in the challenge moving toward a "Financial Services Nation"





13. Program for Further Financial Reform (3)

- 3 concrete measures
 - Creation of a vibrant financial system
 - Contribution to regional economies
 - Establishment of a reliable financial administration



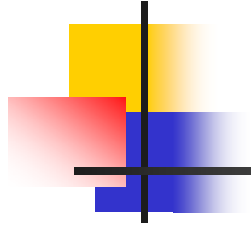
13. Program for Further Financial Reform (4)

- Creation of a vibrant financial system
 - Emphasis on users' needs and thorough implementation of user protection rules
 - Enactment of the "Investment Services Law"
 - Further enhancement of the corporate disclosure system
 - Further development of a financial system which is internationally open and the financial administration with an international perspective



13. Program for Further Financial Reform (5)

- Implementation of a financial administration with an international perspective and active participation in international standard-setting activities
 - As internationalization and financial conglomeratization progresses, the necessity of strengthening partnerships with overseas regulatory authorities is increasing, and the movement towards the convergence of regulation and standards is accelerating. Taking this situation into consideration, the FSA will strive to adhere to the equal treatment principle of domestic and foreign financial institutions; make the Japanese financial system and financial markets universal based on a clear philosophy and rules; and at the same time play a leading role in international standard-setting activities regarding financial services, participating actively, not passively, from a strategic standpoint.
 - Active participation in drawing up trading rules for international financial products and services
 - Ensuring appropriate regulation, inspection and supervision of international financial conglomerates
 - Strengthening cooperation with overseas supervisory authorities



Thank you