



# Japan's Country Report

Japan Securities Dealers Association

RESILIENCE | CONFIDENCE | OPPORTUNITY

# Stock Market in Japan

## Nikkei 225 (From Jan 1985)



■ NIKKEI 225

Source: Yahoo Finance

# Major Index in Stock Market

## Major Stock Index (From Sep 15, 2008)



■ NIKKEI 225

■ SSE Composite Index

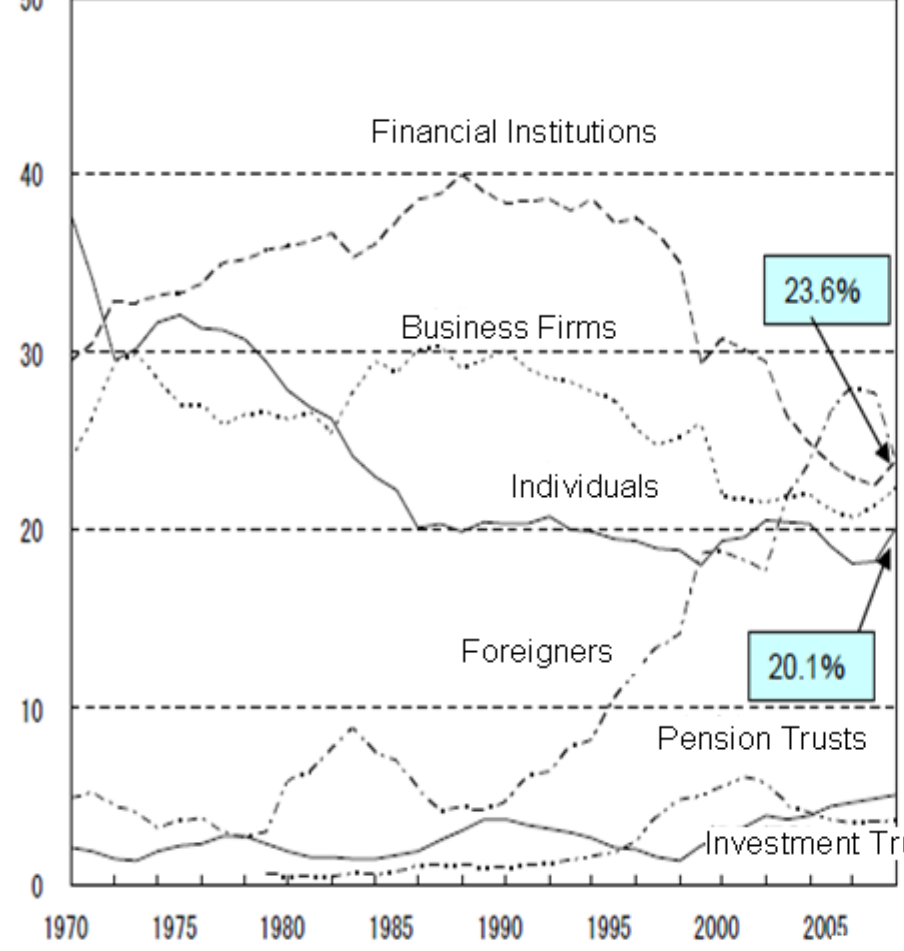
■ Dow Jones Industrial Average

■ FTSE 100

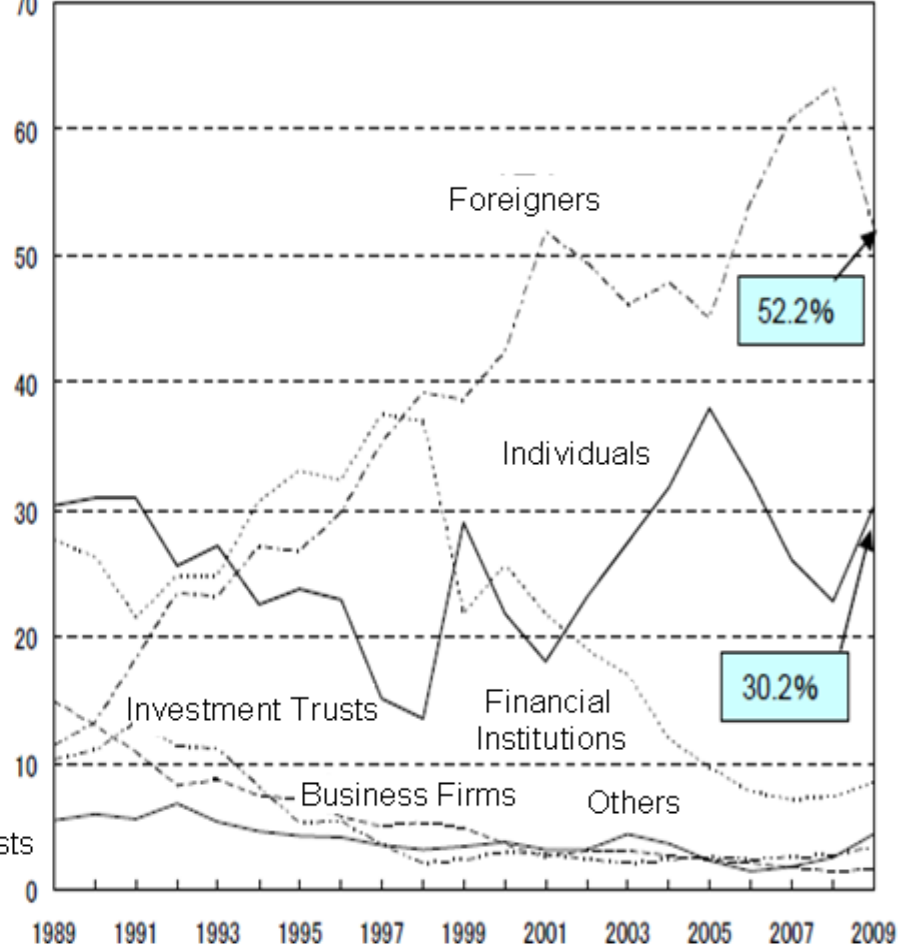
Source: Yahoo Finance

# Stock Holding and Trading by Type of Investors

### Stock Holding by Type of Investors



### Stock Trading by Type of Investors



# Composition of Financial Assets of Households in Japan

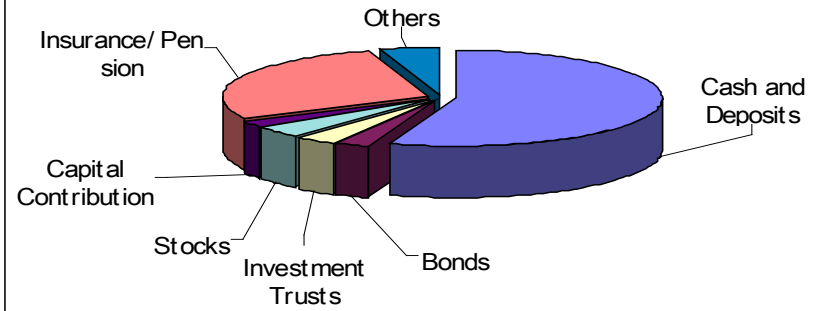
	FY2006	FY2007	FY2008	Jun 2009	FY2008 (Amount) (\ trillion)	Jun 2009 (Amount) (\ trillion)
Financial Assets of Household	1,543.70	1,464.50	1,410.40	1,441.30	1,410.40	1,441.30
Currency and deposits	49.80%	52.90%	55.80%	55.20%	786.4	796.3
Bonds	2.50%	2.70%	2.80%	2.70%	39.4	39.2
Trust beneficiary rights	0.30%	0.30%	0.20%	0.20%	3.4	3.4
Investment trusts	4.20%	4.30%	3.30%	3.50%	47.2	49.9
Shares & Other Equities	13.00%	8.20%	5.60%	7.10%	79.6	101.8
Insurance and pension reserves	25.90%	27.50%	28.20%	27.20%	397.3	392.4
Overseas Portfolio Investment	0.60%	0.60%	0.40%	0.50%	5.7	6.7
Others	3.60%	3.50%	3.60%	3.60%	51	51.3

(source) Bank of Japan

# Composition of Financial Assets of Households in Japan, USA, Germany

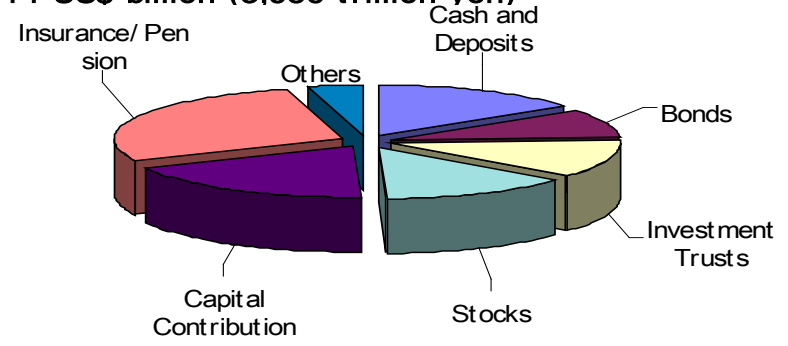
## Japan

Financial Asset Total  
15,875 US\$ billion (1,434 trillion yen)



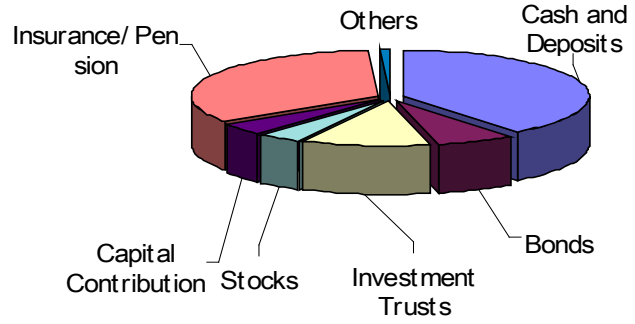
## USA

Financial Asset Total  
40,814 US\$ billion (3,686 trillion yen)



## Germany

Financial Asset Total  
6,206 US\$ billion (560 trillion yen)



As of end of CY 2008

Source: Bank of Japan, FRB and Deutsche Bundesbank

# Current Policy Issues in Japanese Market

## ▼ Corporate Bond Market

- To Activate Corporate Bond Market in Japan, Setting up Task Force in JSDA and Working on Various Related Issues (see next page)

## ▼ Review of the Role of Self-Regulation

- Review of the Existing Rules
- Principle-Based Approach

## ▼ Claim Intermediation

- ADR (Alternative Dispute Resolution)
- Close Cooperation with Other SROs, Filling the Regulatory Gaps

## ▼ New Regulation for Financial Products

- Securitized Product - Transparency Initiative (Self-Regulatory Rule Implemented in June 2009)
- "Ahead of the Curve" Initiative
  - Contracts for Difference
  - Unlisted Stocks

## ▼ Strengthened Customer Diligence

- Prevention of Insider Trading
- Dealing with Suspicious Customers

# Bond Market in Japan (1)

( trillion yen )

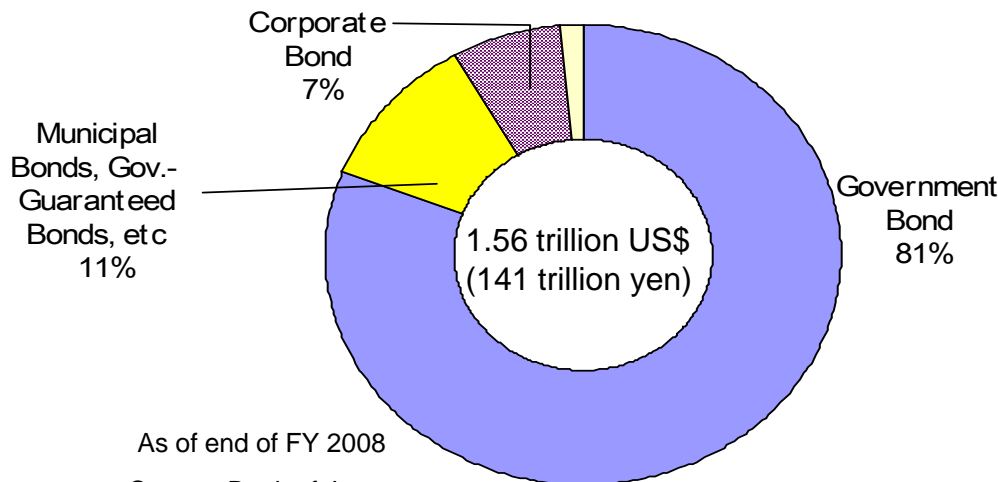
Year	Trading Volume (face value)			Issuing Amount			
	JGB	Others	Total	Public Debt Securities (JGB)	Corporate Bonds	Non Resident Issues (Yen denominated)	Total
2006	8,881	271	9,152	190.6(175.6)	7.4	0.7	210.1
2007	11,890	206	12,096	155.1(140.4)	9.2	2.2	176.4
2008	11,118	169	11,288	140.5(125.7)	9.2	2.3	159.2
2009 (1-6)	4,408	59	4,468	75.2*(67.2*)	6.1*	0.6*	84.3*
2009.7	747	9	756	13.8*(12.5*)	1.3*	0.2*	15.7*

Source: JSDA

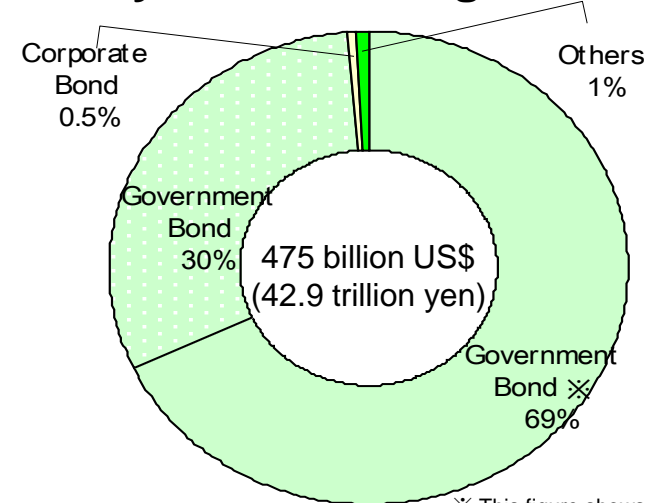


# Bond Market in Japan (2)

## 1. Composition of Bond Issuance

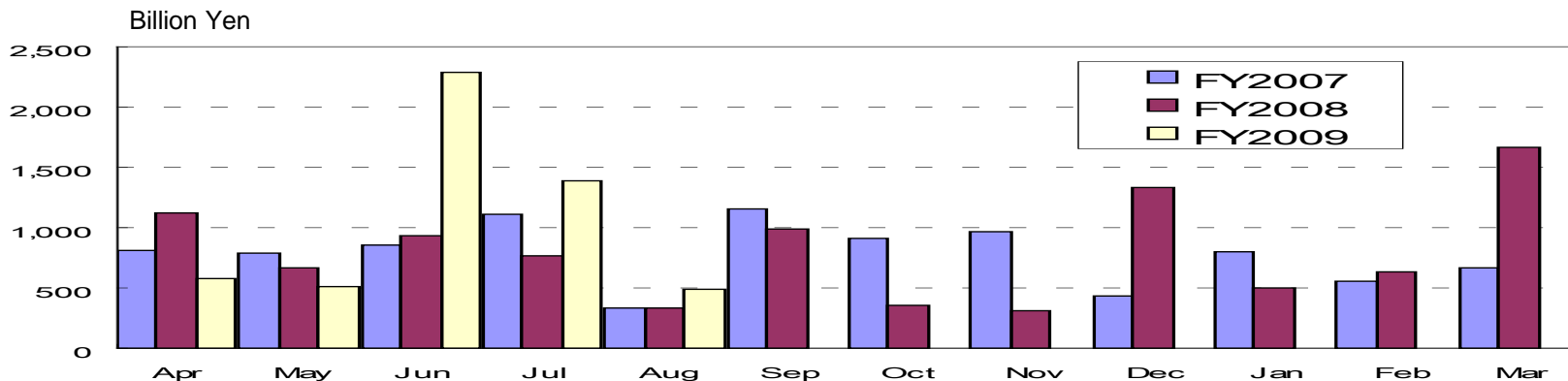


## 2. Daily Bond Trading Volume



※ This figure shows trading volume of Gensaki Trading (transactions with repurchase agreements). Source: JSDA

## 3. Monthly Amount of Corporate Bond Issuance



# Corporate Bond Task Force in JSDA

## ▼ Increasing and diversifying Corporate Bond Issuers and Market Players

### 1. Primary Market

- Issuers
- Investors
- Role of Rating Agencies and Analysts
- Securities Firms (Intermediary Function)

### 2. Secondary Market

- Improving Basic Data concerning Corporate Bond Market and Information for Market Players and Investors
- Market Price, Reference Statistical Prices [Yields] for Transactions \*
- Establishing Corporate Bond RP Market

\* It is published and calculated by JSDA on the basis of reports from its members

## ▼ Securitization (Products, Transaction)

- Ensuring Disclosure and Transparency of Products and Transactions
- Improvement of Statistical and Price Data
- Laws, Self-Regulatory Rules, Inspection
- Rating
- Credit Guarantee
- Secondary Market

## ▼ Derivative Market

## ▼ Settlement System

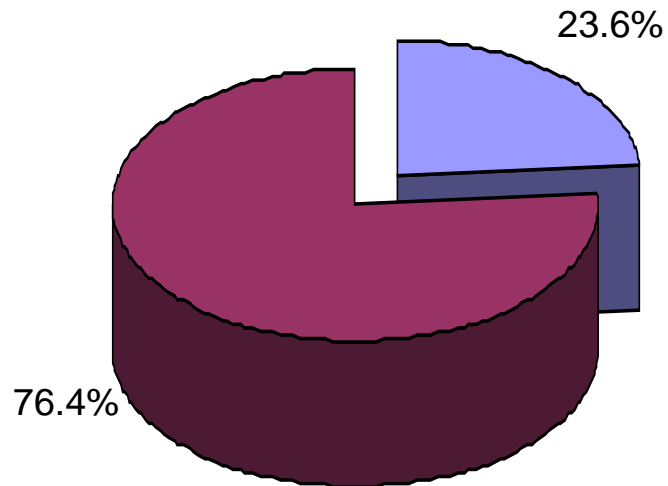
## ▼ Taxation System and Accounting Standard

# Response to Global Financial Crisis

- Enhancing Risk Management
- Regulations on Credit Rating Agencies
- OTC market Contracts for Difference (CFDs)
- Infrastructure for clearing and settlement of OTC derivatives
- Review of rules and practices regarding failed deliveries in bond transactions
- New structure for Alternative Dispute Resolution (ADR) in financial markets
- Measures for strengthening the safety-net for deposit-taking institutions

# Japan's Investment and Trade with Asia Pacific Region

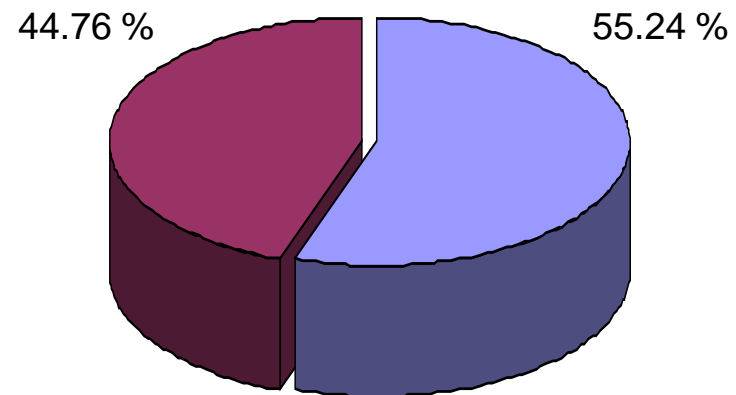
## Japan's Overseas Securities Investment



(Aug 2009)



## Japan's Foreign Trade



(Jul 2009 cumulative total)

Export base

## JSDA's Collaborative Activities with ASF Members

### ▼ ASF Seminar (since 2006)

- JSDA holds a training seminar every year inviting ASF member organizations.

### ▼ The 2nd Japan Securities Summit (March 2009)

- Hong Kong Securities Association (HKSA) co-organized JSDA's event to promote the Japan's Securities Market to investors, financial experts in Hong Kong.
- The 3<sup>rd</sup> is planned to take place in Singapore in March 2010.

### ▼ Korea Capital Market Conference (September 2009)

- JSDA supported the holding of this event by the Korea Financial Investment Association (KOFIA) to promote the Korean Securities Market to institutional investors in Japan.

**Thank you !**