

Fourth Round Table on Capital Market Reform in Asia

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Presentation Resume

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ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

Asian Development Bank Institute

Resume for Part I (Market Structure)
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Demutualization

- TSE demutualized on November 1, 2001, completing its change into a stock company after more than a year of deliberation and preparation.
- By fully utilizing the functions of a stock company,
 - TSE adapts itself to the competitive environment.
 - TSE increases the fairness, reliability, efficiency, and convenience.
- Board of Governors of the new company is limited to 11 people, 6 of whom are from outside the company.
- Executive Officer system of 9 members was introduced to manage the company's day to day operations.
- Three advisory committees were established: the Advisory Committee on Market Operations,

the Advisory Committee on Self-Regulation, and the Advisory Committee on Discipline.

- **On February 19, 2002, TSE announced its Interim Business Plan.**

Management Vision: TSE aims to be a true “Global Financial Exchange” with significant international presence by providing both domestic and international investors, issuers and intermediaries with a liquid, reliable, and fair market.

Management Policy:

1. Strengthening the functions of its market and increasing its international competitive advantage in Japanese financial products.
2. Providing efficient and convenient market infrastructure.
3. Securing a market of the highest quality backed by unsurpassed fairness and transparency.
4. Listing various investment products in response to the needs of market users.
5. Extending the business into such fields where TSE has a competitive advantage.
6. Undertaking structural reforms in order to build a corporation with a sound earnings position.

Management Objectives for Fiscal Years of 2002 – 2004: TSE plans to list its shares for trading in its market in FY 2005. To do so, it aims at the following performance goals, targeting a future rate for consolidated ROE of 10% or more.

Global Policies/Strategy – Cross Border Alliance and Cooperation aspects

Market Links and Other Measures to Encourage Foreign Participation

- TSE promotes discussion with overseas exchanges on possible schemes for market linkages and joint initiatives in order to expand its market participants.
 - discussing cross-access and other market links,
 - enhancing regulatory frameworks regarding cross-border transactions,
 - encouraging market cooperation and coordination, etc.

Joint Product and Joint Business Development

- TSE expands its business opportunities through strategic alliances with other exchanges and organizations for the joint development and introduction of new products, coordination of marketing activities, development of new business, and joint operation of markets.
 - promoting cooperative initiatives with SGX, CME, NYSE, AMEX, S&P and others

Promoting Discussions for Regional Cooperation

- TSE promotes study and discussion on borderless and offshore trading arrangements and market linkages aimed at further development and closer cooperation within the Asia/Oceania region.
 - feasibility study on an alliance with SGX
 - cooperation with international organizations and private entities

International Contribution for the Development of Capital Markets

- TSE, while continuing to provide technical assistance, will advance its discussions about and preparations for the sharing of information and market infrastructure with foreign organizations in order to support global cooperation from the securities markets’ side.
 - providing technical assistance
 - receiving entrustment of exchange operations from other exchanges
 - sharing IT infrastructure

- TSE actively participates and takes a leadership role in discussions among major world exchanges regarding international harmonization and development of market systems/practices and regulatory frameworks.
 - promoting World Federation of Exchanges activities
 - supporting IOSCO activities

Systems Review for the Internationalization of the Japanese Securities Market

- TSE actively presents its opinions on legal, regulatory, accounting, and fiscal frameworks relevant to securities markets in order to strengthen the international competitiveness of the Japanese securities markets.
 - matters of corporate disclosures
 - regulation of cross-border transactions