JASDEC's Implementation of

ISO20022 / SWIFTNet

26th November 2014
3rd APAC SMPG Meeting

Japan Securities Depository Center, Inc.

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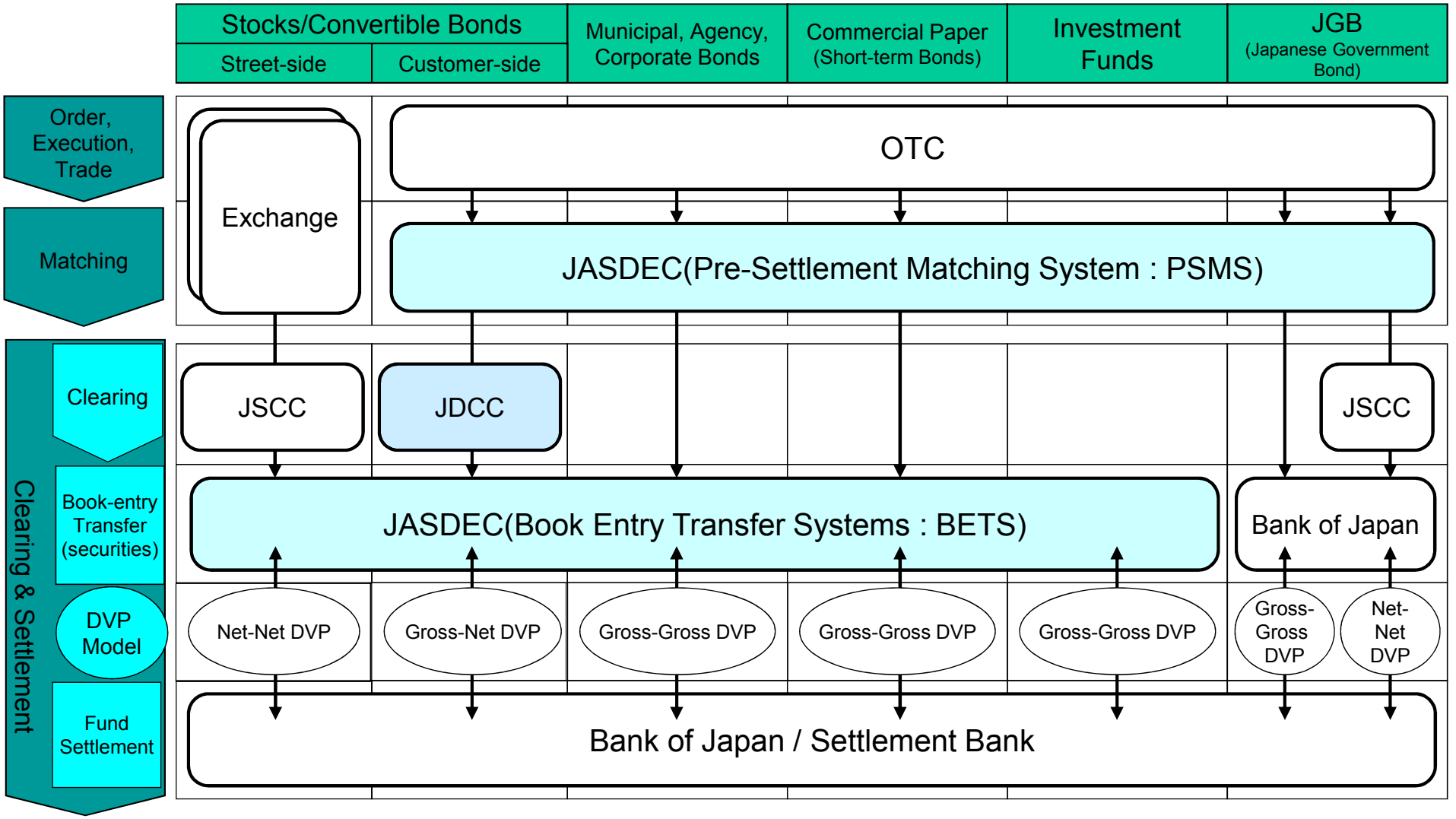
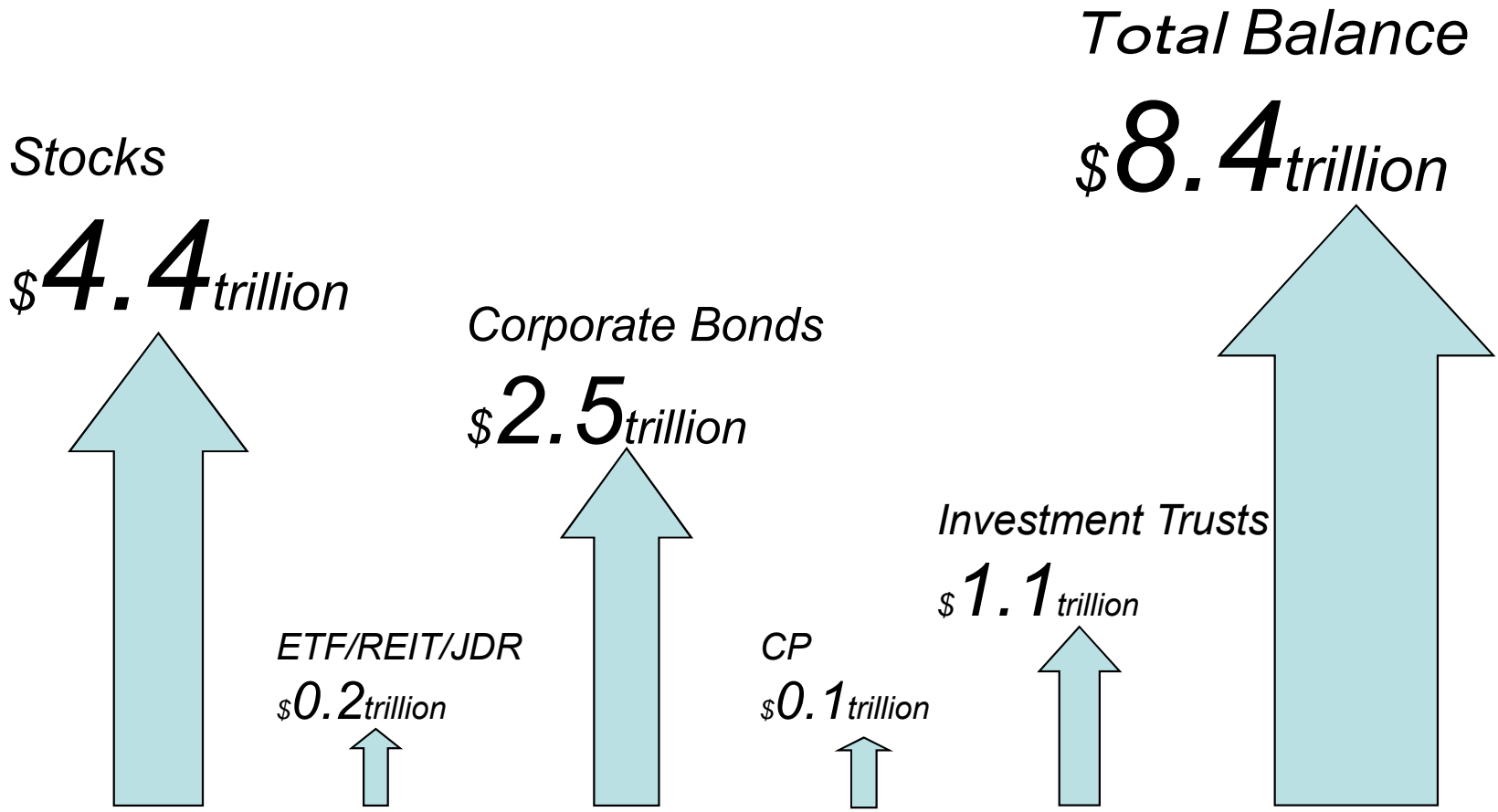
1. Introduction

The role of JASDEC in Japanese market infrastructures



JSCC : Japan Securities Clearing Corporation (Subsidiary of Japan Exchange Group)
JDCC : JASDEC DVP Clearing Corporation (Subsidiary of JASDEC)

Business Statistics (FY 2013: April 2013 - March 2014)



	Stocks	ETF/REIT/JDR	Corporate Bonds	CP	Investment Trusts	Total
Account Balance (USD in trillion)	4.44	0.15	2.53	0.12	1.12	8.38
Number of Issues Handled	3,548	200	55,595	3,552	7,940	70,835
Number of Transactions (in thousands)	99,605	2,826	437	230	1,297	104,396
Number of Transactions/Day (in thousands)	407	12	2	1	5	426

Converted at 1USD = 100JPY

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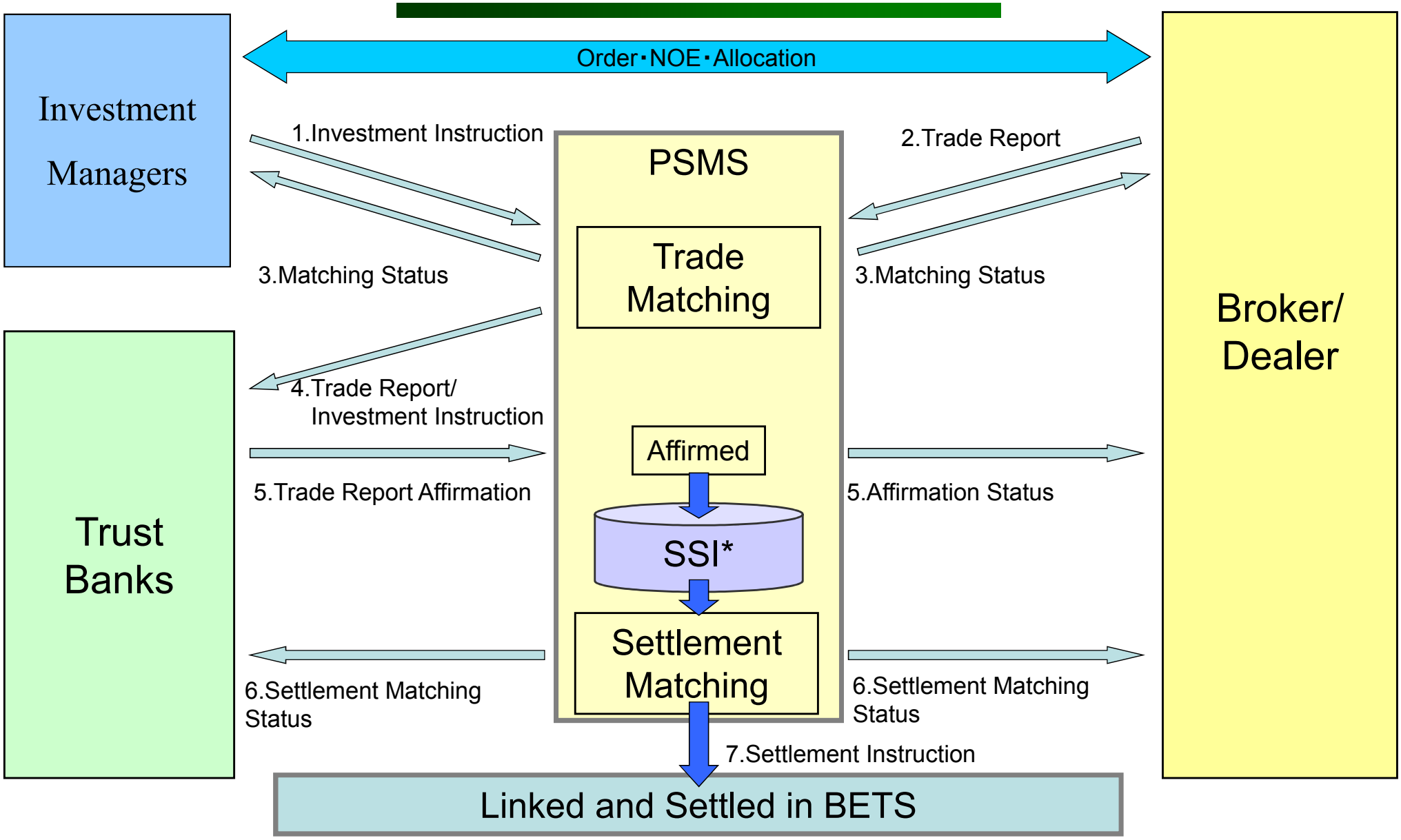
Characteristics of PSMS

- Automation of Trade / Settlement Matching for STP
- Central Matching Model
- Matching Utility for DVP Settlement
- International Standardization
  →ISO15022, ISIN, BIC

  →ISO20022, SWIFTNet, Tolerance Matching

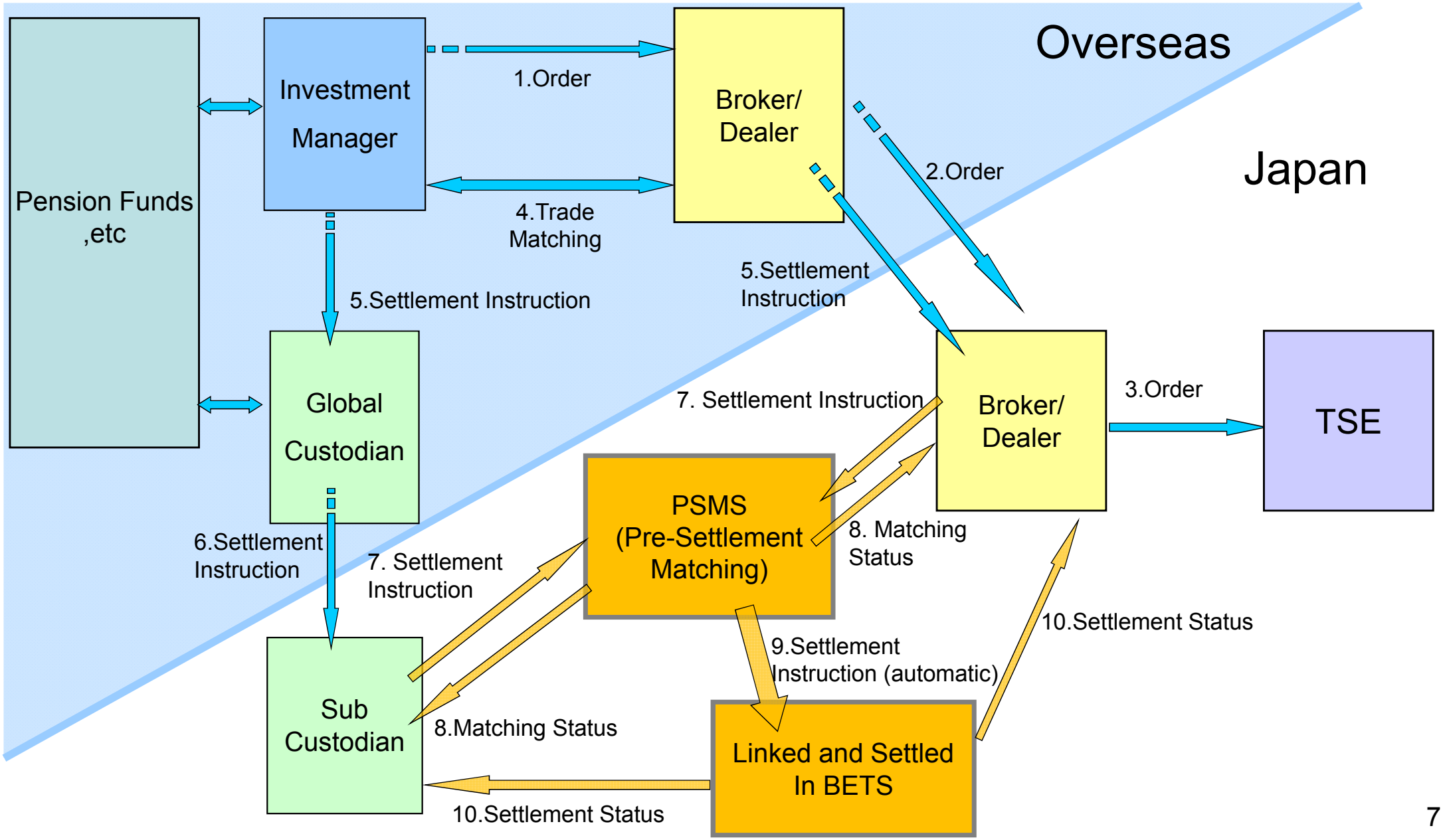
  (Introduced in 2014 System Replacement)

Domestic Transaction flow(Tri-Party Central Matching)

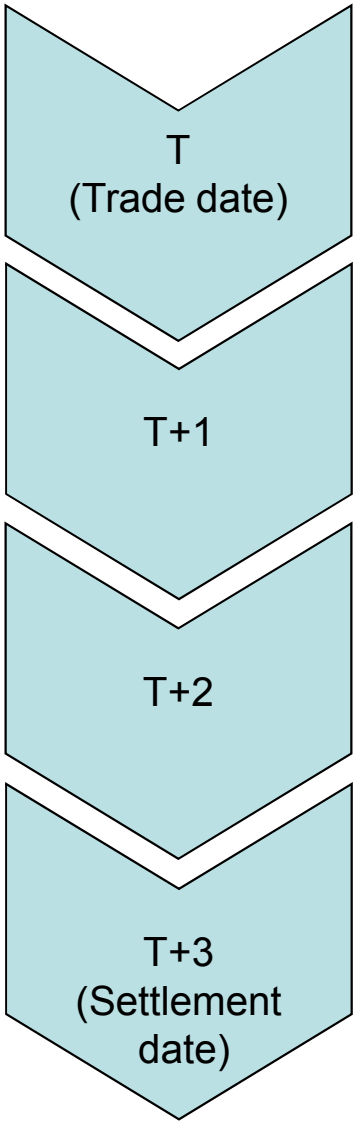


*SSI(Standing Settlement Instruction) Database

Non-residents' Transaction Flow(Bilateral Central Matching)



Matching Ratio（Stocks） in PSMS



Date		Domestic Transaction		Non-Residents'
		Trade Matching	Settlement Matching	Settlement Matching
T	S-3	Over 99%	Approx. 5%	Approx. 30%
T+1	S-2	Over 99%	Over 99%	Approx. 80%
T+2	S-1	Over 99%	Over 99%	Approx. 90%
T+3	S	Over 99%	Over 99%	Approx. 99%

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2. Implementation of ISO20022/SWIFTNet

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Key point of implementation in JASDEC

- Strong commitment in management level to adopt with international standards
- Active participations from the initial phase of development of international standards
- Cost of implementation

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Back ground and aim

➢ Before ISO20022, international standardization remained to be solved

	BETS	PSMS
Message format	Proprietary	ISO15022 (customize)
Securities code	Local cade or ISIN	Local code and ISIN
Financial institution Identification code	Local Code	Local code or BIC
Network	Proprietary	Proprietary

➢ Global Trend in Securities Market

- Tough competition among market infrastructures
  ex. Target2-Securites(T2S)
- Growing presence of foreign based investors and intermediaries

- JASDEC decided to enhance the efficiency/accessibility and mitigate the costs of inbound trades in a international standardized way

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ISO20022 implementation process①

➢ ISO20022 implementation study

2007.10 became a member of ISO20022 Securities SEG

✓Information Gathering and sharing with Japanese community
✓Reflect Japanese requirements into ISO developments
✓Harmonization with International Standards and Japanese Standards

➢ Join SEG ET to engage initial development

Business Area	Other Evaluation Team members
Settlement & Reconciliation (S&R)	ISITC,ECSDA, CSDs,T2S,SMWG, SWIFT
Modification and Counterparty Response	DTCC, Euroclear,Clearstream,SWIFT
Post-trade Matching	Omgeo, Euroclear, SWIFT, Anbima, FPL
Total Portfolio Valuation (TPV)	ISITC

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ISO20022 implementation process②

➢ Internal Consideration to implement to JASDEC's system

Analyze the business processes and message formats and identify the gaps between ISO20022 and the JASDEC's messages

➢ Submit 12 Change Requests

In case of S&R where ISO15022 and ISO20022 coexist, CRs need to be submitted to a.ISO15022 or b.ISO20022

a. Approved CRs through ISO15022 Maintenance Working Group and Country Vote are reverse-engineered to 20022

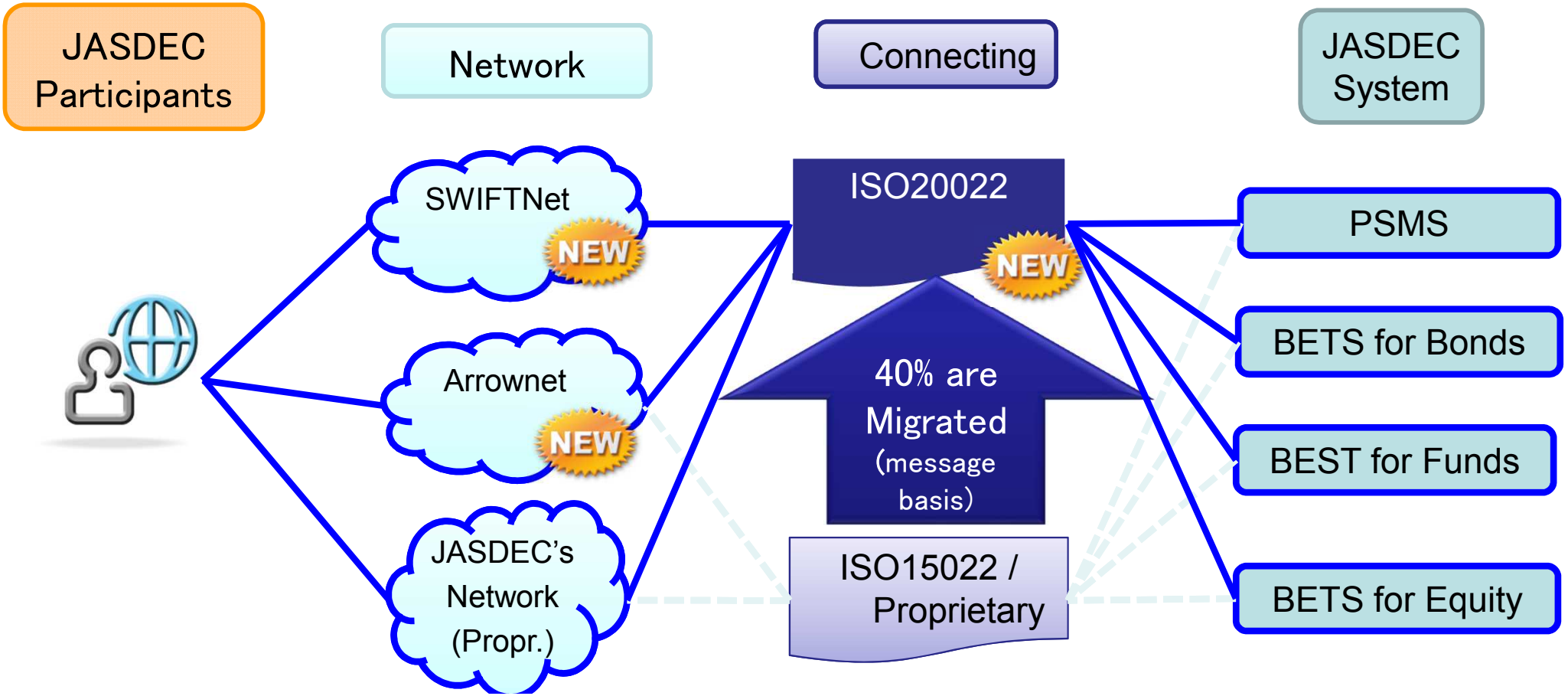
b. Discussed and approved at ISO20022 Securities SEG

These activities supported by Japanese community, especially ISITC Japan for S&R

ISO20022 implementation process③

➢ Implemented concurrently with 2014 system replacement

- Aim to reduce system implementation cost
- Coexisting period of the existing messages (ISO15022 / Proprietary) and ISO 20022 until end of 2018
- Able to choose network among “SWIFTNet”, “Arrownet” and “JASDEC Network”



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3. For More International Standardization

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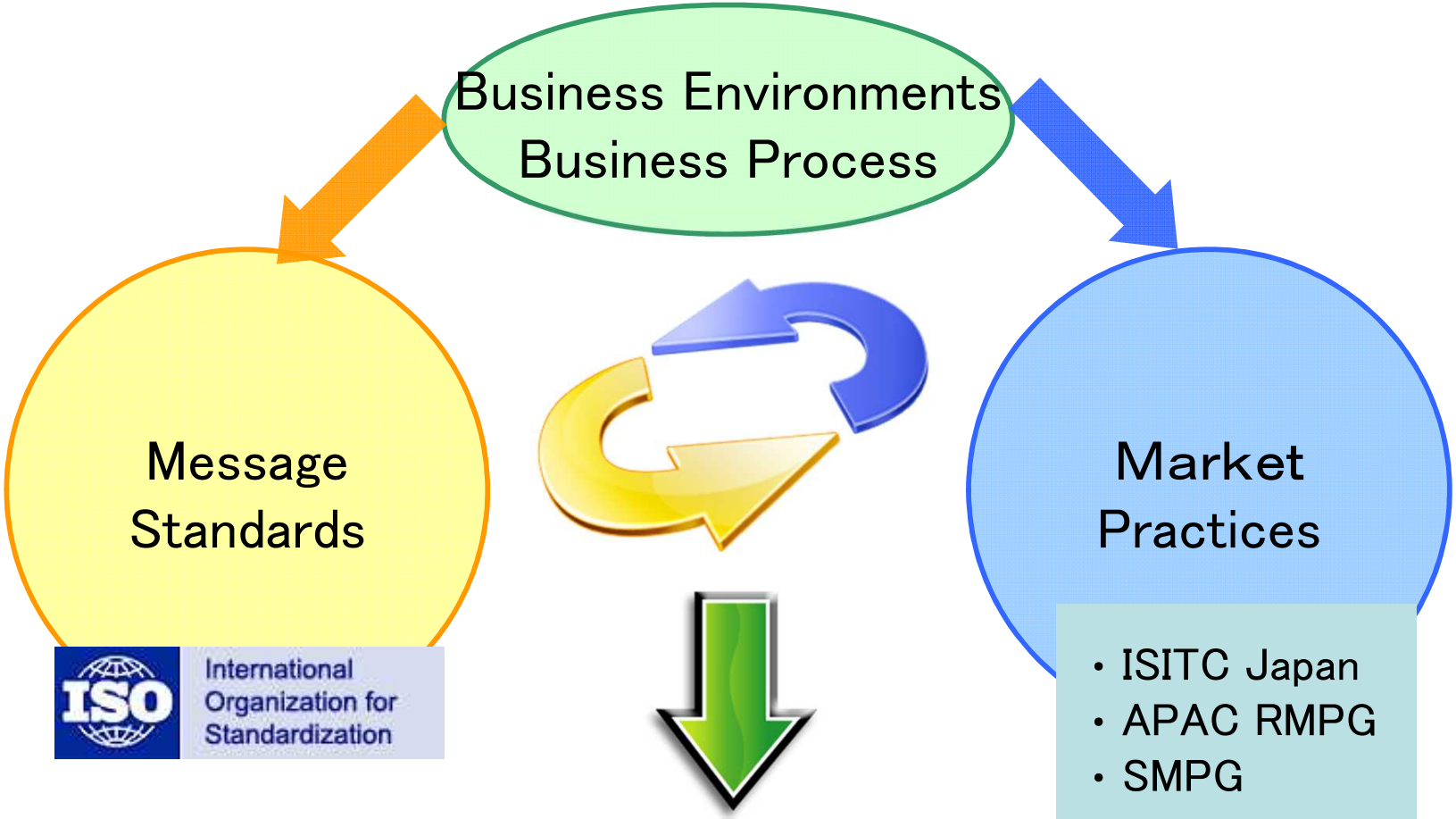
Message Standards and Market Practice

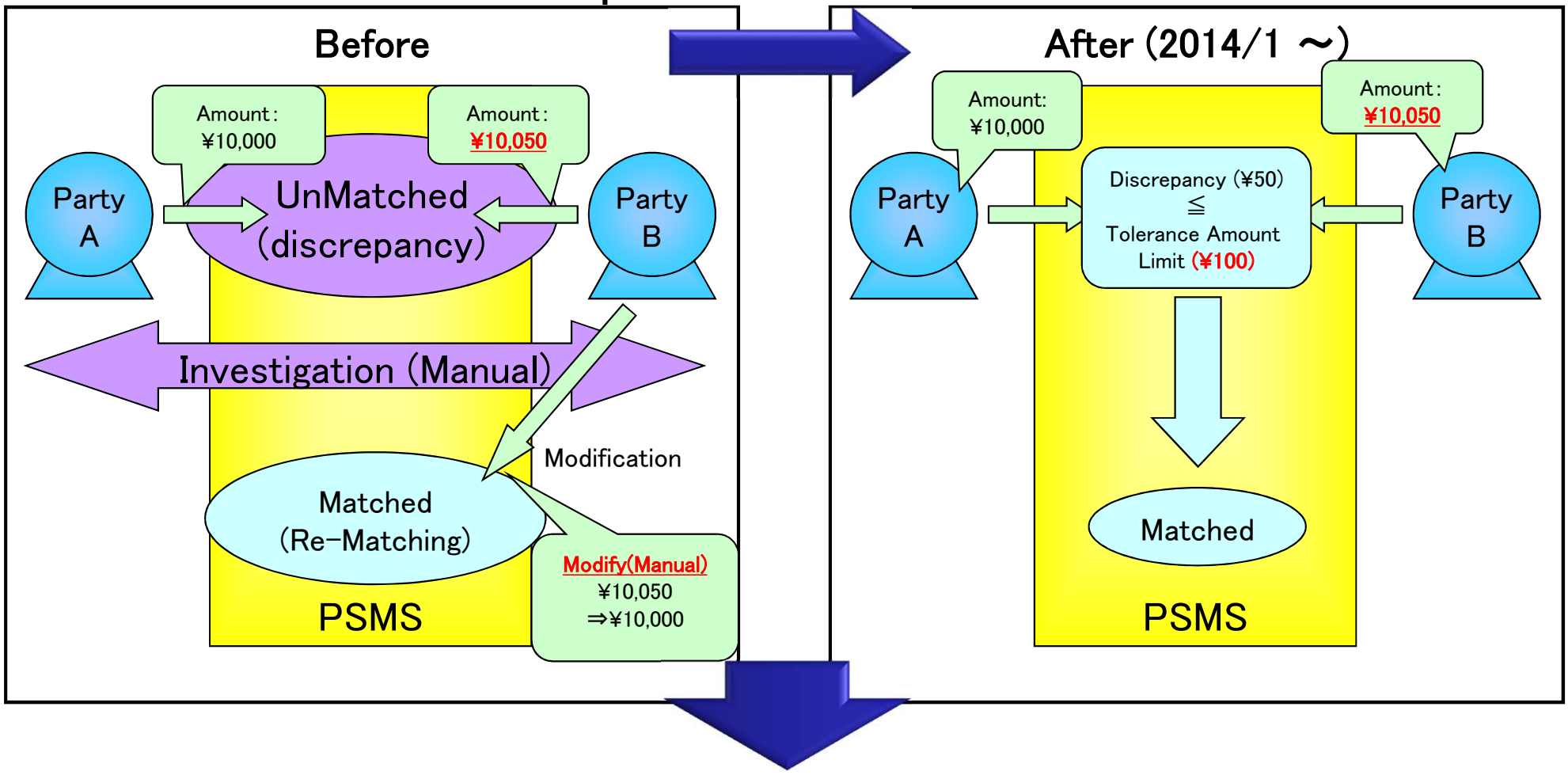
- Both adopting to Messages Standards and building Market Practices are essential for realizing STP



Straight Through Processing

Harmonization of Business Process

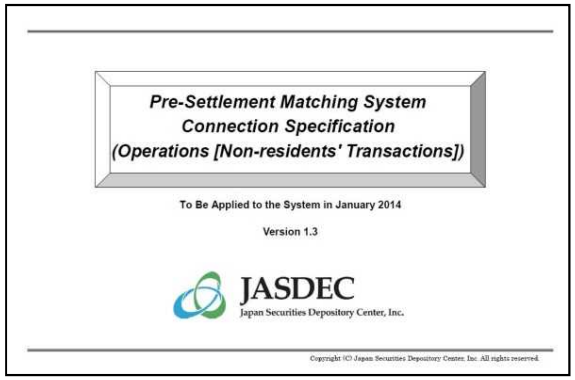
- Introduced "Tolerance Matching", which is widely accepted as international business process in other markets



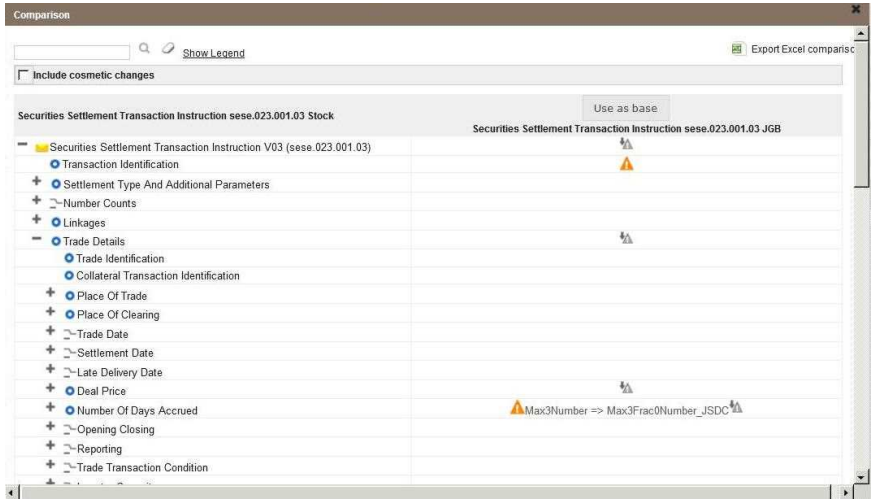
Reduced 90% of 'Unmatched' transaction => More STP, More Standardization

Information Dissemination

- English version of “PSMS Connection Specification” are now published.



- Message formats and rules of PSMS are available on ‘MyStandards’



JASDEC's expectation for Adopting to ISO20022

- It's obvious that more and more Securities Market Infrastructures will introduce or consider to use ISO20022 messages in the wide range of business fields.
- But how about market participants? Even though Securities Market Infrastructures introduce the new ISO20022 standards, market participants and their clients might stick to the current ISO15022 standards or proprietary messages. We think that the multiple standards coexistence for long years is not desirable. It would bring high maintenance cost but few efficiency.
- Migration to ISO20022 is up to the each industry. It is true that Securities Market Infrastructures are strong drivers, however, to migrate smoothly and to leverage ISO20022, we think global market players (global banks and custodians) could be another key drivers for ISO20022 migration in global securities markets.
- Each market player also needs to address ISO20022 adoption strategically and proactively to leverage ISO20022 Standard. JASDEC also expects SWIFT to take a significant role both for support and leadership for the industry.