

The Japan Commercial Paper Association

(Press Release English Summary)

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Ground Design for Dematerialized Commercial Paper

The Japan Commercial Paper Association (JCPA) will release the Ground Design for Dematerialized Japanese Domestic Commercial Paper this week.

While the design will initially cover systems and operations for issuing, trading and settling dematerialized domestic commercial paper under the new law for dematerialized CP, it will eventually be extended to the dematerialization of all Japanese domestic securities products. Thereby allowing Japan to meet T+0 delivery versus payment (DVP) for CP and T+1 DVP for other securities in the foreseeable future.

Dematerialized securities will bring a number of important benefits:

All parties involved will be free from physical restriction.

A tremendous amount of time for operation will be saved.

Substantial cost reductions will be possible in issuing, trading, settlement and safekeeping.

Risk associated with the current physical delivery system will be eliminated.

Corporate will be able to integrate cash management operation with T+0 environment.

Building up such advanced financial infrastructure is also a key for Japan's success in global competition among financial centers.

JCPA is also proposing Action Plan for implementation of dematerialized CP issuance and trade:

Completion of settlement system for issuing and trading dematerialized CP within a year.

Extension of the system to issuing and trading dematerialized domestic securities in two to three years.

We believe the Ground Design will serve as a platform for officially launching the dematerialization of domestic securities. As such, it will improve the market orientation of the domestic securities markets, thereby promoting more efficient and effective Corporate Treasury operations.

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