

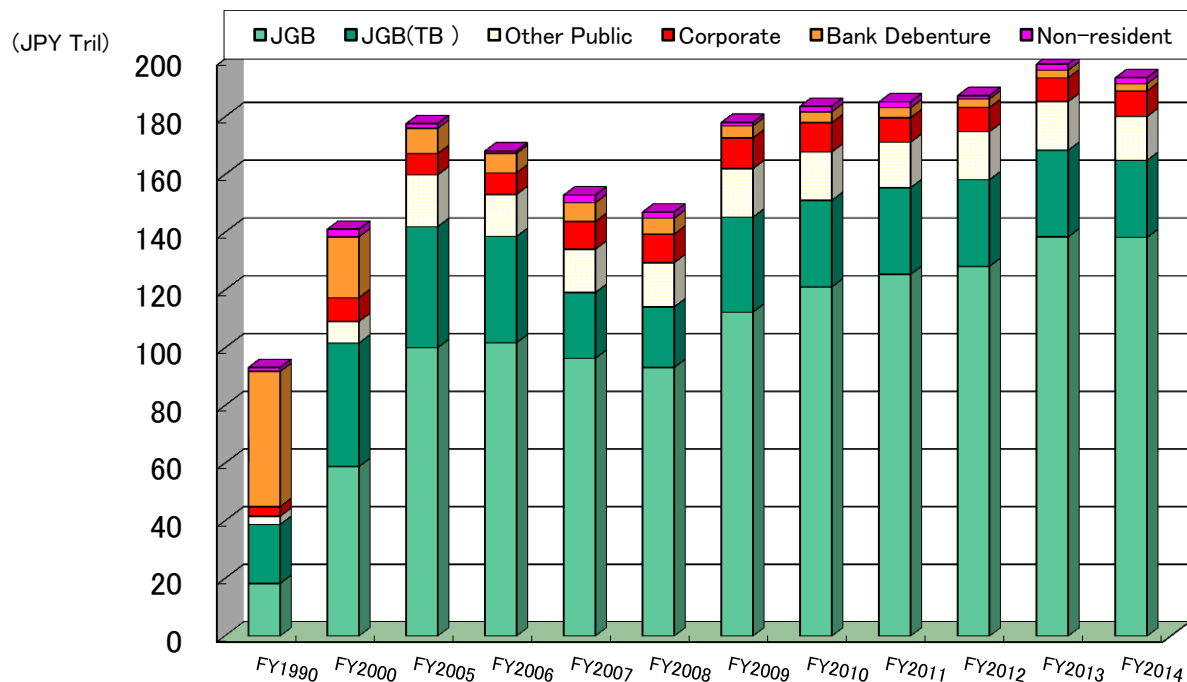
Trading Price Transparency in Japanese Corporate Bond Market

26 October 2015

Japan Securities Dealers Association

1. Introduction (1)

Total Data for Issuance Amount of Bonds in Japan (in JPY, FY basis)

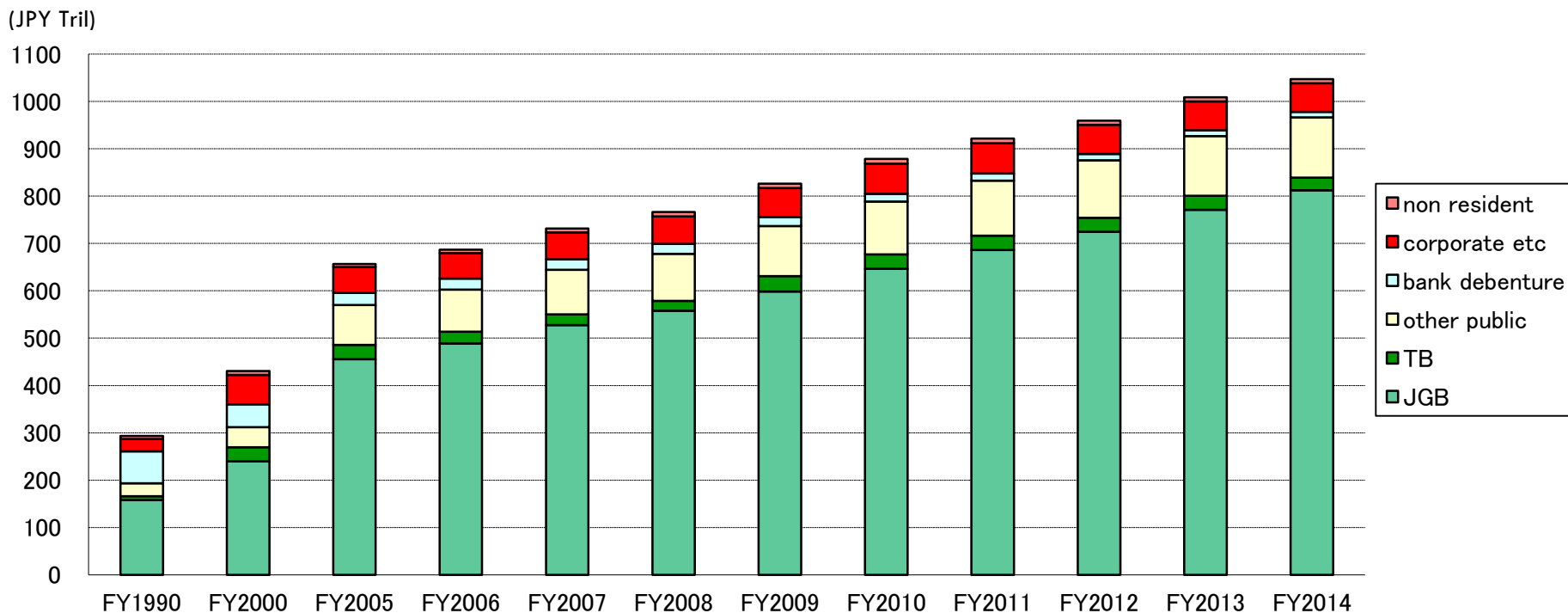


	FY1990	FY2000	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014
JGB	18.3	58.8	100.1	101.8	96.4	93.2	112.4	121.1	125.5	128.2	138.5	138.3
JGB(TB)	20.5	42.8	41.9	36.8	22.8	21.0	32.9	30.0	30.0	30.0	30.0	26.7
Other Public	2.9	7.5	17.9	14.6	15.0	15.3	16.8	16.7	15.7	16.6	16.8	15.2
Corporate	3.4	8.3	7.4	7.5	9.6	9.9	10.6	10.1	8.5	8.4	8.3	8.8
Bank Debenture	46.9	21.0	8.8	6.7	6.5	5.5	4.2	3.8	3.4	3.0	2.6	2.5
Non-resident	1.4	2.6	1.6	0.8	2.6	2.1	1.2	1.9	2.0	1.1	2.2	2.1
Total	93.2	141.0	177.6	168.1	152.9	147.0	178.1	183.7	185.1	187.4	198.3	193.5

(Source) JSDA

1. Introduction (2)

Total Data for Outstanding Amount of Bonds in Japan (in JPY, FY basis)



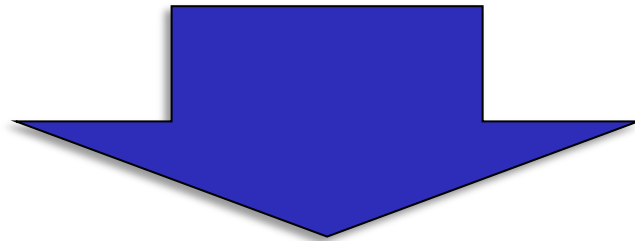
	FY1990	FY2000	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014
JGB	158.1	239.6	455.7	488.8	527.5	558.0	598.2	646.8	686.4	724.5	771.0	812.5
TB	8.2	29.6	29.9	24.8	22.8	21.0	32.9	30.0	30.0	30.0	30.0	26.7
other public	27.1	42.9	84.5	89.2	94.4	99.1	105.8	111.5	116.3	121.0	126.0	127.3
bank debenture	67.7	48.2	25.5	22.9	22.0	20.9	18.9	16.7	15.0	13.6	12.3	11.7
corporate etc.	26.0	61.9	54.5	54.3	56.7	58.1	61.4	64.0	63.8	61.7	60.9	60.2
non resident	6.0	8.2	6.7	6.5	8.1	9.3	9.0	9.5	10.1	8.6	8.8	9.0
Total	293.1	430.5	656.9	686.6	731.5	766.4	826.3	878.5	921.6	959.5	1,008.9	1,047.4

(Source) JSDA

□ Other than the fact that the amount of issue is small in the first place, two main reasons for the inactive secondary market are often pointed out.

(1) Most investors in corporate bonds use a buy-and-hold strategy.

(2) The system for disseminating bond trade price information has not been well-developed.



- As regards the second obstacle, there is no system to disseminate real trading prices of OTC corporate bond transactions in Japan.
- So, it is difficult for third parties other than the parties involved with actual transactions to know real trading prices.

- ❑ As price information on OTC corporate bond transactions, JSDA has been publishing reference prices since 1966 (See Reference Chart 1 on P.6).
- ❑ But these are not real trading prices, only mid-price quotations reported by major JSDA members.
- ❑ Accordingly, JSDA has decided to launch a new system to disseminate real contract prices of OTC corporate bond transactions starting from November 2 this year (See Reference Chart 2 on P.7).

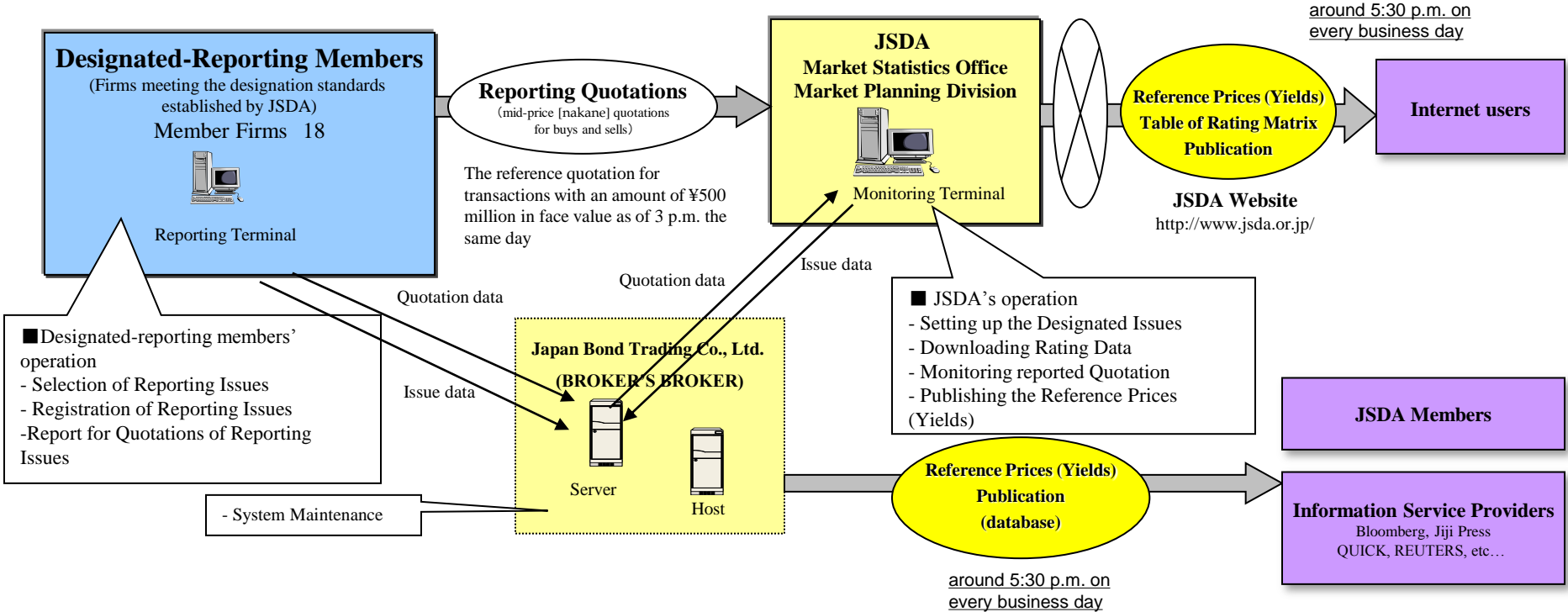
4. New System to Disseminate Trading Prices

1. Transactions to be published	Transactions of corporate bonds exceeding 100 million yen (approximately 800,000 USD or more)
2. Corporate bonds to be published	(1) AA or better credit rating for the issue (2) Two or more credit ratings for issues or issuers * About half transactions of above item 1. will be covered.
3. Items to be published	(1) contract dates (2) bond identification codes (3) names of bond issues (4) maturity dates (5) coupon rates (6) trading volumes (7) contract prices (8) traditional reference prices
4. Measures to publish	The information is publicly disseminated on JSDA website at 9:00 in the morning on every business day.
5. Halt or cease of publication	<Halt of publication> Spread with JGB widened beyond certain level <Cease of publication> Credit rating for the issue downgraded under AA

5. Reference chart 1 - Existing Reference Prices Disclosure System



- JSDA publishes about 8,000 publicly offered issues of the Reference Prices [Yields] (for OTC Bond Transactions) at around 5:30 p.m. on every business day.
 - * This system was launched in March, 1966.
- The major users are securities firms, stock exchanges, clearing organizations, institutional investors, asset managers, government related organizations, business corporations, information service providers and individuals.
- The Reference Prices [Yields] are used as follows: reference for trading, current market valuation for financial accounting and corporate tax payment, the valuation of performances related to investment trust and pension fund accounting, proper price in securities firms, collateral valuation by stock exchanges and clearing organizations, collateral valuation for daylight overdraft of BOJ, government bond operations of BOJ, and the valuation of inheritance property.



6. Reference chart 2 – New System to Disseminate Trading Prices

