



FUTURES INDUSTRY ASSOCIATION JAPAN CHAPTER

Newsletter

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Inside this issue

EXCHANGE NEWS

TOCOM MoU with DGCX

*TOCOM Silver &
Aluminum: Contract Size
Change*

*C-Com Merger with OME
Finalized*

*C-Com MoU with Korea
Futures Association*

OSE: Nikkei 225 Mini

REGULATORY NEWS

METI New Director

NEW MEMBERS

*Mizuho Securities
Baker & McKenzie*

JOIN A COMMITTEE!

REPORTS OF PAST EVENTS

*FIA-Asia in Mumbai
Andrea Corcoran Special
Luncheon and
Presentation*

UPCOMING EVENTS

Chicago Expo

ON GOING ACTIVITIES

*Financial Instruments
Committee*

Editorial Board

Tony Crane – Editor
Motoko Kobayashi
Takanori Kosaka
Thomas McMahon
Mitch Fulscher

CHAIRMAN'S MESSAGE

Exchanges: "Merger-mania"

The announcement of the \$ 9 Billion merger of CBOT with CME came as a shock throughout the derivatives world. The combined exchange would have daily volumes of over nine million contracts per day! But was it a complete surprise? Not really. In a way it was a natural evolution following CBOT outsourcing its clearinghouse to CME three years ago. Leo Melamed has been working behind the scenes for many years to make this happen. Once CBOT had its IPO and became free of member control, the road was clear.

The resulting mega-exchange has threatened other exchanges in the US and globally. Exchanges are rethinking their strategy for growth and survival. More mergers are in sight. IPO's by NYMEX and later by CBOE will certainly put them into play – perhaps as buyers.

Of particular interest is the development of cross border merger and cross industry merger between stock exchanges and derivatives exchanges. The NYSE plans to buy Euronext while Deutsche Boerse is still fighting for it. Euronext already is a combination of international stock exchanges in Paris, Amsterdam, Brussels and Lisbon as well as Liffe, the derivatives exchange in London. NASDAQ in the US is considering a merger with the London Stock Exchange. Other strategic alliances to create new derivatives exchanges include "JADE", the CBOT and Singapore Exchange Joint Venture, and "DME", the JV between NYMEX and a Dubai organization.

Even in Tokyo the TSE is discussing a strategic international partnership with the NYSE. In Japan we currently have three international financial exchanges and three commodity exchanges with international intent. We can wonder what will happen next....

Stay tuned.

Mitch Fulscher
Chairman
FIA-Japan



Exchange News

TOCOM MoU with DGCX

The Tokyo Commodity Exchange and the Dubai Gold and Commodities Exchange signed a Memorandum of Understanding on August 21st in Tokyo. Through this MoU the two institutions intend to pursue business opportunities through areas of collaboration on the improvement of market liquidity, soundness and efficiency, while developing cooperation and information sharing which would be beneficial to both markets.

TOCOM Silver & Aluminum: Contract Unit Change

The Tokyo Commodity Exchange will halve the contract units of silver, in the precious metals market, and aluminum from their current sizes to 30kg and 5,000kg respectively (the same modification will apply to the delivery unit of silver), effective on October 27th, 2006 (applicable from the October 2007 contract). In accordance with these changes, positions limits will also be modified. Please visit our website (<http://www.tocom.or.jp>) for details.

C-COM Merger with OME Finalized

The Central Japan Commodity Exchange (C-COM) and the Osaka Mercantile Exchange (OME) signed the Agreement on a merger between the two exchanges in Osaka on August 22, 2006. The merger becomes effective on January 1, 2007 and the surviving exchange will be C-COM, and the English name of the new Exchange remains the Central Japan Commodity Exchange. The new C-COM will list a wide range of contracts from industrial products, including energy (Gasoline, Kerosene, Gas Oil), rubber (RSS3, TSR20, Natural Rubber Index) and metals (Ferrous Scrap, Aluminum, Nickel), as well as an agricultural product (Eggs). In addition to the main office in Nagoya, the new Exchange will also hold a sub-office in Osaka as a trading center. The new C-COM intends to complement the Tokyo based markets as one of two domestic poles.

C-COM MoU: Broker Association and Korea Futures Association

The Association of Broker Members of C-Com (ABMC-COM) and Korea Futures Association (KOFA) signed a Memorandum of Understanding on the formation of cooperative relationship in Seoul on September 22, 2006. The area of cooperation between two associations includes information sharing and exploring future possible business opportunities. This MoU has given an official framework to promote interactions between the members of the both Associations.

OSE Nikkei 225 Mini Growing

Nikkei 225 mini, launched on July 18, 2006, is growing at a strong rate and its trading volume hit a record 89,704 units on October 10. Additionally after October 12 the trading volume of the nearest contract month tends to exceed that of Nikkei 225 Futures.

Individual investors are the leading force in the Nikkei 225 mini market, accounting for almost 50% of the market share, and the trading volume of overseas investors is increasing.

Market players say that the new product's minimum price fluctuation (5 yen) and arbitrage opportunities against Nikkei 225 Futures are very attractive.

For further information, please visit http://www.ose.or.jp/e/futures/ind_225mini.html

Regulatory News

METI - New Director

Mr. Satoru Koyama was appointed as Director of Commerce Division in charge of commodities industry on October 6th. He was previously Director of Planning at the Japan External Trade Organization (JETRO). Mr. Koyama replaces Mr. Kondo who is now a Cabinet Director.

New FIA-J Members

Mizuho Securities

Mizuho Securities assumes the role of the wholesale securities business of Mizuho Financial Group and cooperates mainly with Mizuho Corporate Bank. Furthermore, Mizuho Securities assembles financial functions of other group companies and concurrently makes strategic business alliances with other companies, while providing cutting-edge products and services with a high degree of professionalism in financial fields to domestic and overseas institutional investors, financial institutions, businesses and public entities

Baker & McKenzie

Baker & McKenzie GJJ Tokyo Aoyama Aoki Law Office (Gaikokuho Joint Enterprise), a fully integrated law firm, is one of the leading law firms in Japan, and offers a full range of cross-border and Japanese legal services. As a member firm of Baker & McKenzie (more than 3,400 locally qualified, internationally experienced lawyers and 6,600 other professionals and staff in 70 offices in 38 countries), one of the world's leading international law firm, they are able to draw upon a network to provide high quality solution-oriented legal services through timely delivery. (www.taalo-bakernet.com)

Wanted! Committee Members!

We need your support!

The FIAJ is looking for people who would be willing participate in the following committees:

Financial Instrument Committee	Fund/Mgt. Futures/Hedge Fund Committee
Technology Committee	Commodities Committee
Membership Committee	Newsletter Committee
Conference/Program Committee	

Those interested or for more information please contact the FIAJ secretariat at: htsuchiya@trimedia.co.jp

Reports of Past Events

FIA Asia Conference in Mumbai India

On October 17-19 FIA Asia held its second annual conference at the Hilton Towers Hotel Oberoi in Mumbai (Bombay). The conference featured the rapidly growing futures and options markets in India as well as other Asian markets throughout the region. Information exchange seminars were held and panel discussions by industry leaders, in some cases, giving suggestions to the developing markets in the region. There were over 300 delegates attending the sessions coming from India, Dubai, Japan, Taiwan, Hong Kong, Singapore, China, UK, Ireland and France. Participants represented FCM's, Exchanges, banks, law firms and regulators. There were 14 companies that exhibited at the conference.

The Chairman of the CFTC, Reuben Jeffery, gave a presentation and also hosted a private regulators conference discussing common issues among several derivatives regulators from the region. During that meeting an MOU was signed between the CFTC and the Forward Markets Commission of India.

We had several delegates from FIA-Japan attending and Yasuo Mogi and Thom McMahon each delivered presentations at the international commodities panel.

During the conference, John Damgard, President of FIA in Washington, announced that Mr. Foo-shiung Ho has agreed to serve as the managing director of FIA Asia. Dr. Ho, who most recently was the chief executive of the Taiwan Futures Exchange, will spearhead FIA Asia's efforts to promote the further development of the region's derivatives markets for the benefit of end users, intermediaries and exchanges.



CFTC Chairman Reuben Jeffery (center) surrounded by two unidentified Maharajas

Andrea Corcoran Special Luncheon and Presentation

On October 31, 2006 FIA-Japan welcomed Andrea Corcoran at a special luncheon held at the Ark Hills Club. Andrea recently left the CFTC where she served as the Director of International Affairs for many years. She has been a long time friend of FIA-J. She is now Managing Director of Promontory Financial Group based in Washington DC.

Andrea gave a presentation to our Chapter on global trends in the capital markets. She focused on the empowerment of the "buy side" of the market, the fear of disintermediation, the search for global partnerships and the movements toward global regulatory cooperation. The audience found her comments most interesting and perceptive. She is well versed in these matters as her experience in international affairs through the CFTC has given her a unique perspective. She will now apply this perspective as well as her global contacts as a part of her work for Promontory.

If you would like a copy of Andrea's remarks, please contact our FIAJ secretariat, Ms. Hizuru Tsuchiya at: htsuchiya@trimedia.co.jp



Ms. Andrea Corcoran



Mark your Calendar for Upcoming Events

FIA's Futures and Options Expo 2006 in Chicago – Japan Street Returns

Futures and Options Expo, the biggest expo in the industry, will be held from November 28 to 30 at the Hyatt Regency Hotel, in Chicago. The Tokyo Commodity Exchange, The Tokyo Grain Exchange, The Osaka Securities Exchange, The Tokyo Financial Exchange, The Central Japan Commodity Exchange, Okato Shoji Co. Ltd., and The Tokyo Stock Exchange will organize the "Japan Street" for the third year in a row.

On Going Activities at FIA-J

Financial Instruments Committee

Our Financial Instruments Committee has been cooperating with IBA Japan and Mr. H.Tsunoda's Securities Sector Committee dealing with JSDA regarding the overseas JSDA sales representative exam matter. Consideration by JSDA to implement an overseas exam facility was agreed late last year. In order to address the relevance of this facility (financially for JSDA, as well as practically for its members), JSDA decided to conduct a survey amongst its members regarding the method, location of exam and fee per examination taker. This survey was conducted in early October.

The proposal suggests that the exam location could be in two major financial centers (NY and London). The exam may be taken by PC provided by JSDA, and not at a fixed venue (i.e. hotels, conference rooms of private companies), the language in English and/or Japanese, and the fee approx. USD1, 000. JSDA intends to submit their proposal to the working group of Foreign Securities Companies Forum of Strategic Division of FSA to finalize the decision process.



The FIA-Japan Chapter was organized in 1989 as a nonprofit organization by foreign and Japanese futures industry participants. It is the only organization in Japan of its type with a membership drawn from the entire cross section of the futures industry. There are more than 50 members representing all of the corporate sectors participating in the futures and options industry in Japan.

Board of Directors and Officers

Officers

Mitch Fulscher, Chairman	Financial Consultant
Yoshio Kuno, President	Chicago Mercantile Exchange Inc.
Takanori Kosaka, Secretary	UBS Securities Japan Ltd
Junko Suzuki, Treasurer	Societe Generale Securities Tokyo (FIMAT)

Other Board Members

Osamu Akita	Japan Commodity Futures Industry Association
Brian Benus	Bear Stearns (Japan), Ltd.
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Mikio Hinoide	Osaka Securities Exchange Co., Ltd.
Junnosuke Inoue	Nihon Unicom Corporation
Mikio Kawamura	Tama Graduate School of Management & Information Sciences
Naoaki Kurumada	.Commodity
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