



FUTURES INDUSTRY ASSOCIATION JAPAN CHAPTER

Newsletter

July 2007

Inside this issue

JAPANESE GOVERNMENT

*FIA-J Letter to Cabinet
Office*

EXCHANGE NEWS

- **TOCOM:**
*Modifies Gold Market
Chairman Nangaku on TOCOM
Strategy
Introducing President Nagao*
- **TSE :**
*Delays New System &
Give-ups*
- **OSE:**
*Introduces Evening Session
Additional Stocks for Equity
Options*
- **C-COM**
*To Introduce a New Trading
System in Fall 2007*

REGULATORY NEWS

- **MAFF**

NEW MEMBERS

- *Phillip Financials KK*
- *Barclays Capital*

REPORTS OF PAST EVENTS

- *FOW London*

UPCOMING EVENTS

- *FIA-Asia*

OTHERS

- *Mogi Moves to Fimat*
- *Nihonbashi Financial Center*

FIA-J movements

- *Board Members*
- *New Committees*

Editorial Board

*Tony Crane – Editor
Mitch Fulscher
Eiichi Kojima
Takanori Kosaka
Motoko Ogawa*

CHAIRMAN'S MESSAGE

Japan Futures Markets - Changes Underway!

An important report was recently issued to the Cabinet Office by the Working Group on Financial and Capital Markets. This report and its recommendations have already resulted in the announcement of significant changes to be made by several of the major exchanges. METI has acted strongly to encourage positive changes and has issued its report while FSA is also preparing its "roadmap" for change. It is expected that there will be legal and regulatory changes that will further open and modernize the derivatives markets in Japan. This is badly needed!

FIA-Japan responded to this development and has issued a Letter with our own recommendations for consideration by the Cabinet Office. We want to see Japan establish a world class financial center – but it must act now! See the following article for discussion of our letter to the Cabinet Office and the critical action points suggested.

We will be monitoring this development and will do everything we can to encourage its forward movement.

Mitch Fulscher
Chairman, FIA-Japan

Japanese Government

FIA-J Letter to Cabinet Office

Urgent Action Needed for Financial Market

Recently the inadequacy of the Japan financial market has been focused on by the Prime Minister's Cabinet. Abe's announced platform addresses these shortfalls and his intention to make changes. FIA-Japan was invited to meet with the special Cabinet Office Working Group and discuss our views with them, and we were asked to write a letter with our recommendations.

On July 6, 2007, our Board approved a letter which was sent to the Cabinet Office. We also sent copies to the various Regulatory Authorities. Our comments contain strong criticism and identify the priorities that should be focused on in order for Tokyo to become a global financial center.

Japan has failed to exploit the opportunity to establish a financial center equal to New York and London. This "lost opportunity" has perhaps one last chance before the rapidly growing Asian markets, including China and India, fully establish their leading positions. There are many actions that need to be taken with a "sense of urgency" including changes in infrastructure and regulations and modernization of the exchanges. Perhaps most telling is the need to change "attitude" and remove "resistance" toward foreign access to the market.

The critical priority action steps outlined in our letter include:

- Develop a clear Strategy for the Tokyo Financial Market
- Eliminate the financial market "Silos"
- Create a competitive environment
- Encourage international entry, remove regulatory hurdles
- Establish a High Level "Tokyo Financial Center Office"

Please contact our Executive Secretary, Ms. Motoko Ogawa, for a copy of this letter. We are interested to hear from members about their views and recommendations. Please send your comments to Ms. Ogawa or Mitch Fulscher.

Exchange News

TOCOM:

Modifies Gold Market

On July 17, 2007, TOCOM successfully launched a cash-settled Gold Mini futures contract with over 22,000 lots traded on the first day. The contract unit of the Gold Mini contract is 100 grams, which is one-tenth of the standard contract. Also, for its market to be more in line with international standards, as of July 1, 2007 TOCOM has expanded the Price Limit and relaxed the Position Limit in the Gold Standard contract.

For more information, including the contract specifications of the gold standard and mini contracts, please visit our website at www.tocom.or.jp.

Chairman Nangaku on TOCOM Strategy

The Japanese commodity futures market now finds itself in a fast changing environment. TOCOM realizes that there are high expectations for us to contribute to the economic development of the country and therefore we are currently reviewing what next steps should be taken.

TOCOM will start an exhaustive research process on its next trading system, in line with international standards, scheduled to be operational by the end of fiscal year 2008. We will also proceed with exploring the demutualization of TOCOM in 2008 to further increase our operational efficiency. Additionally, we have decided to implement a 2-hour extension of our trading hours within the year, followed by twenty-four hour trading ultimately and we will strive to develop an attractive market by revising our market rules, including relaxing Price Limits and Position Limits.

TOCOM will devote its full attention to these measures, as we respond swiftly and effectively to the ever more sophisticated and diverse needs of market participants, thus further enhancing our position as a vital part of the industrial infrastructure, to firmly establish ourselves as the primary market in Asia.

(full text available on our website at <http://www.tocom.or.jp/profile/message.html>)

Introducing President Nagao

At TOCOM's general meeting of members held on June 20, Mr. Umetaro Nagao was elected President & Chief Operating Officer, following Mr. Toshifumi Hirai's resignation. Before joining TOCOM, Mr. Nagao was a Director at the Environmental Restoration and Conservation Agency of Japan (ERCA) and in July 2004 joined the then Association of Compensation Funds for Consigned Liabilities in Commodity Futures, Inc. continuing to serve as President after it reorganized into the National Futures Protection Fund in May 2005 following the revision of the Commodity Exchange Law.

Former TOCOM President, Mr. Hirai, has been appointed corporate officer at NISSAN Motors.





TSE:

Delays New System & Give-ups

The Tokyo Stock Exchange announced July 6, that it would reschedule implementation of its new Derivatives Trading System which was scheduled for October 2007, to January 2008, due to a “delay in a part of the system development”. Because of this, introduction of the give-up system, computerized off-auction trading on futures and options and ToSTNeT trading will be put off, as the new system was a precondition for all of these. TSE commented that “this is to ensure stable operations”.

OSE:

OSE Introduces Evening Session

On September 18, 2007, OSE will introduce an Evening Session for stock index futures and options trading, such as Nikkei 225 Futures (including Nikkei 225 mini) and Options. This means a new trading session is to be established following the current one in the afternoon. More active transactions would be expected from Europe since the Evening Session starts at 16:30 which is the market opening time in Europe.

(Specifications)

1. Contracts: All stock index futures and options trading at OSE are subject to the Evening Session.
2. Trading Hours: 16:30 to 19:00 (JST)

For more details, please visit

<http://www.ose.or.jp/frame.html?rules/revise/070628a.html>

Additional Stocks for Equity Options.

On July 30, 2007, OSE will add 29 stocks to the underlying issues of equity options in order to enhance the OSE equity options market. The 29 underlying issues are considered to meet the market demand, and the total number of underlying issues will be 130. Considering the trading activities and market needs, OSE will continue to expand the number of equity options.

For more details, please visit

http://www.ose.or.jp/e/futures/ind_eo.html

C-Com:

Introduces New Trading System in Fall 2007

C-Com is to introduce a new computer trading system on September 3rd this year. The new system, “Advanced Itayose System” is a thorough and complete upgrade and replacement of the current system being used at C-Com Head Office in Nagoya. The five former OME products currently traded by open outcry at the Osaka Trading Center will be shifted to the new system. As a result, trading of all 10 products listed on C-Com will be computerized.

The Advanced Itayose System is an open system with add-on flexibilities, which offers C-Com market users such benefits as ISV connectivity, better internet connectivity (for all C-Com products), and real time accessibility to live market price information (for former OME products) from information vendors.

Regulatory News

MAFF:

The Ministry of Agriculture, Forestry and Fisheries (MAFF) announced July 6, the appointment of Hisashi Ishida as Commodity Investment Affairs Official of the General Food Policy Bureau, an administrator for the commodity trading industry, effective as of the 10th. Prior to that, Mr. Ishida served as Director to the Vocational Trading (i.e: Skill Promotion) Division of the Human Resources Development Bureau, Ministry of Health, Labour and Welfare.

Mr. Ishida graduated from the University of Tokyo (Faculty of Law) in 1983. After graduating from the university, he joined MAFF that same year. He also served as Director-General of the Agriculture and Fisheries Department in the Ibaraki Prefecture, Director of the Food Industry Environment Policy at MAFF.

The former Director Mr. Inoue was appointed to serve as Director of the Administration Division of Food and Policy Bureau at MAFF, effective as of July 10.

New FIA-J Members

FIA-J is very pleased to welcome our newest members, Phillip Financials and Barclays Capital which were approved by the Board of Directors in July.

About Phillip Financials KK

Phillip Financials KK provides its customers with a comprehensive and robust online trading platform and a well established and effective 24 hour multi-lingual customer service support centre.



Currently, the Company provides leveraged FX margin trading products and direct access to the major global financial futures exchanges. Phillip Financials was founded in 2002 and is a member of the Phillip Capital group. Phillip Capital is an integrated financial services provider offering a full range of quality and innovative financial services to retail, corporate and institutional customers. The group's members employ approximately 3000 staff in Asia and Europe and have total shareholders' funds in excess of US \$700 million. The group holds customer funds in excess of US \$8.5 billion and has over 500,000 customers worldwide. In Japan, member companies include Phillip Capital Japan, Phillip Capital Real Estate Japan, Phillip Financials, Phillip Futures (member of TOCOM) and Naruse Securities (member of TSE).

About Barclays Capital

Barclays Capital is the investment banking division of Barclays Bank PLC which has an AA long-term credit rating and a balance sheet of over £ 996 billion. With a distinctive business model, Barclays Capital provides large corporate, government and institutional clients with solutions to their financing and risk management needs. Barclays Capital has offices in 26 countries, employs over 13,200 people and has the global reach and distribution power to meet the needs of issuers and investors worldwide.

Barclays Capital Japan Limited is a joint-stock company incorporated in Japan. It is a subsidiary of Barclays Bank PLC and a registered securities company regulated by the Financial Services Agency of Japan.



Reports of Past Events



FIA, FOA & FOW – International Derivatives Week

June 18-22, 2007 in London

During the International Derivatives Week, FOW held its annual Derivatives World expo in parallel with seminars on various themes (including algorithmic trading, U.S./Europe regulatory convergence, etc...) offered by FIA / FOA at the Queen Elizabeth II Conference Centre on the 20th and 21st of June.

Upcoming Events

FIA Asia Derivatives Conference 2007 in Taiwan

The third annual Asia-wide derivatives conference will be held in Taipei from October 10 to 12. The event will focus on the futures and options industry in the Asia-Pacific region. The three-day event will feature information exchange sessions and an investor summit as well as panel discussions with industry leaders from around the region. During the Conference the Regulators in the Asia Region will also meet together to discuss common regulatory matters. Some FIA-J members will also speak on panels at the conference.

OTHERS

Mogi-san's Team Moves to FIMAT

On July 17, 2007, FIA-J Vice President Yasuo Mogi moved his entire wholesale commodity business from Himawari to a new entity formed by Fimat. Fimat Japan Inc. is now a member of the three Japanese commodities exchanges – TOCOM, TGE and C-COM.

Fimat Japan comprises 30 people, including FIAJ Board member, Julien Le Noble as Representative Director, Yasuo Mogi as Vice Chairman and Head of Commodities Division and Makoto Sugitani as Director and Head of Commodities Derivatives Sales.

Its core business is the execution and clearing of exchange-traded commodities derivatives with a strong expertise in OTC brokerage, which offers additional value to commodities' customers leveraging on Fimat Japan's core expertise in exchange-traded derivatives. This commodities platform offers customers both proximity of services and global reach of international markets.

Fimat Japan significantly strengthens Fimat's presence in this major market having recognized commodities experts in Japan, reinforcing their recognition and expertise as a leading Commodities One Stop Shop.

All Roads Lead to Nihonbashi

Have you ever heard the name of the town " Nihonbashi " before? During the Edo period (Tokugawa government), five highways had been built, all starting from Nihonbashi. In other words all roads are beginning and leading to Nihonbashi. Presently the headquarters for the Bank of Japan are situated at Nihonbashi. In addition to that, all the securities / commodity exchanges in Tokyo are located around the Nihonbashi area. Prime Minister Abe stated that it is an important task for the Japanese government to raise Japanese competitiveness in the international financial markets and to improve Japan's status as an Asian international finance center similar to the status of New York and London. In order to have foreign financial institutions set up their Asian head offices here, the Financial Services Agency is currently examining the best way to develop a new financial district similar to London's Canary Wharf. It looks like Nihonbashi is one of the most likely candidates of all.

Nori Kosaka, HSBC (located in Nihonbashi!)

FIA-J Movements

Board Members:

Kazuaki Takabatake has resigned from Patsystems and he has moved to Singapore, where he has been named Deputy CEO of Saxo Capital Markets Pte. Ltd. Mr. Takabatake therefore stepped down as FIA-J Board member. Mr. Duncan Symmons has been named as the Patsystems representative to FIA-Japan.

FIA-J Committees:

This year we have the following committees working on various issues affecting our industry:

- Financial Instrument Committee
- Commodity Committee
- Technology Committee
- Membership Committee
- Finance Committee

- Newsletter Editorial Board

The Financial Instrument Committee (FI), Commodity Committee and Technology Committee (Tec) work on industry hot issues. The FI follows financial regulatory changes, whereas the Commodity Committee is networking with regulators and dealing with operational issues. The Tec is working on recommendations to Exchanges and Clearinghouses on technology related matters. We urge you to participate. Your commitment and energy will be welcomed! If interested, please contact Ms. Ogawa, Executive Secretary (ogawa@brookandbridge.com).



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 about 60 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
Shozo Ohta, President	Tokyo Financial Exchange Inc. (TFX)
Yasuo Mogi, Vice President	Fimat Japan Inc.
Takanori Kosaka, Secretary	HSBC
Junko Suzuki, Treasurer	Societe Generale Securities Tokyo (FIMAT)

Other Board Members

Osamu Akita	Japan Commodity Futures Industry Association
Brian Benus	Bear Stearns (Japan), Ltd.
Thomas J. Dreves	Baker & McKenzie GJB Tokyo Aoyama Aoki Law Office
Masanori Hayashi	The Tokyo Grain Exchange (TGE)
Mikio Hinoide	Osaka Securities Exchange Co., Ltd. (OSE)
Junnosuke Inoue	Unicom Group Holdings, Inc
Mikio Kawamura	Tama Graduate School of Management & Info. Sciences
Fumihiko Kimura	Central Japan Commodity Exchange (C-COM)
Yoshio Kuno	Chicago Mercantile Exchange Inc. (CME)
Naoaki Kurumada	Dot Commodity, Inc.
Julien Le Noble	Societe Generale Securities Tokyo, FIMAT Division
Shinjiro Mizuno	Kanetsu Shoji Co., Ltd.
Hideki Noda	ORIX Investment Corporation
Koichiro Ohashi	White & Case Law Offices
Mitsuhiro Onosato	The Tokyo Commodity Exchange (TOCOM)
Michael Ross	GL Trade Japan K.K.
Scott Shenk	Merrill Lynch Japan Securities Co., Ltd.
Hiroyuki Takai	Sumitomo Corporation
Hideaki Ushijima	Japan CTA Association

Executive Secretary

Ms. Motoko Ogawa E-mail: ogawa@brookandbridge.com

FIA-J Office

c/o White & Case LLP
Kandabashi Park Building 19-1, Kanda-nishikicho 1-chome, Chiyoda-ku,
Tokyo 101-0054
Tel/ fax 81 (0)3-3259-0220

Opinions contained in this newsletter are of the contributors' personal opinions, and FIA-J does not represent either for or against such opinions, unless otherwise clearly stated. FIA-J makes no representations and to the extent permitted by law excludes all warranties in relation to the information contained in this publication and is not guaranteed by the FIA-J as to accuracy and completeness. FIA-J is not liable to any third party for any losses, costs or expenses, including any direct, indirect, incidental, consequential, special or exemplary damages or lost profit, resulting from any use of the information contained in this publication. If you have any questions regarding the contents of the newsletter, please contact the Editor or the FIA-J Executive Secretary.