

# **B-POST Project Use Cases for Verification**

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June 3, 2020

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Japan Securities Depository Center, Inc.  
NEC Corporation

**Attention:**

This document is an unofficial translation of a press release published on June 3, 2020 by Japan Exchange Group, Inc., Japan Securities Depository Center, Inc. and NEC Corporation. The original press release is in Japanese.

# Use Cases Provided by Participants

- Issues submitted by participants were classified into the following nine use cases.
- In organizing the issues, similar cases were put in the same classification.

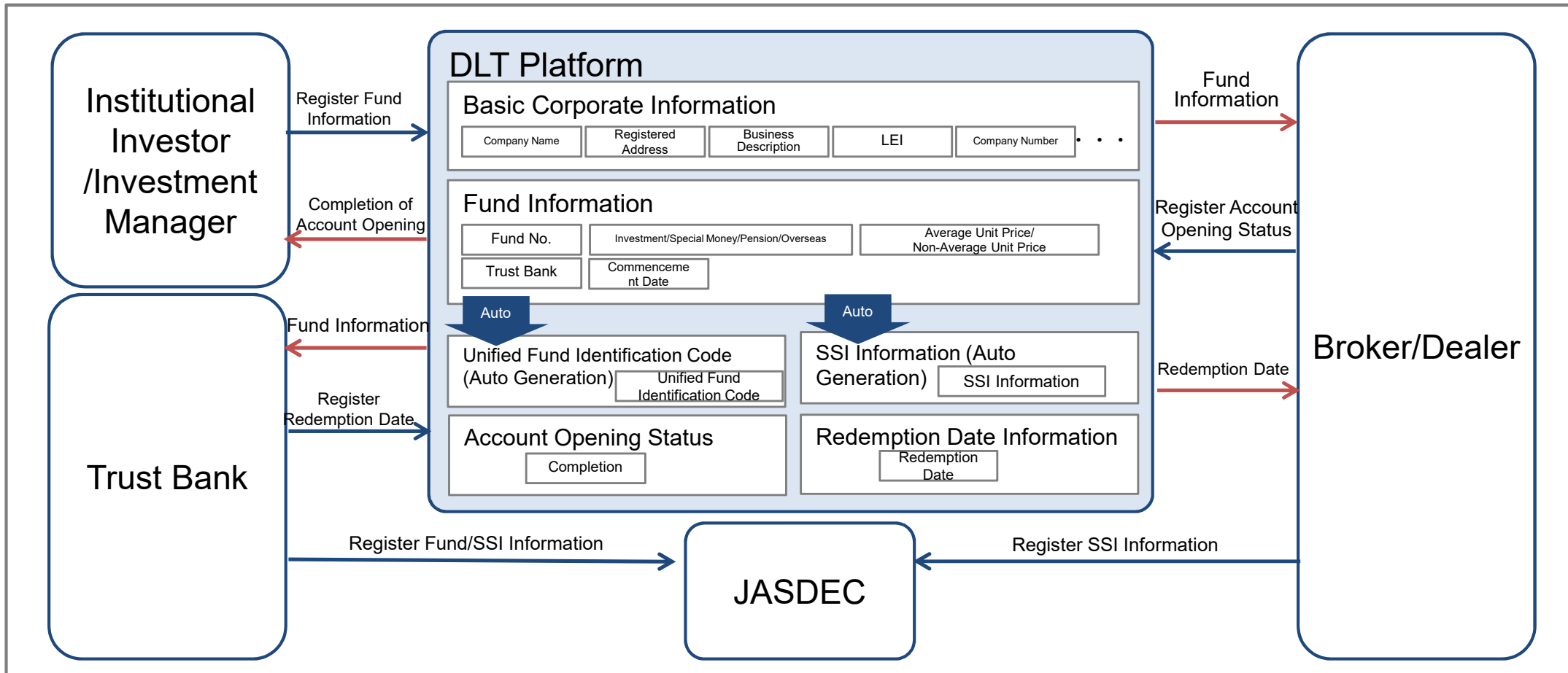
Case No.	Outline	
Use Case 1	Sharing fund/SSI/basic corporate information	Selected
Use Case 2	Resolution of non-compatibility of fund distribution networks	Selected
Use Case 3	Sharing information on borrowing/lending fee/collateral interest and dividend equivalent in stock borrowing and lending transactions	Selected
Use Case (a)	Sharing information on changes in collateral/margin for listed futures and options	
Use Case (b)	Sharing information in trade reconciliation for foreign bonds	
Use Case (c)	Centralized management of dividend information	
Use Case (d)	Centralized management of market price data	
Use Case (e)	Centralized management of business days of Asian markets	
Use Case (f)	Sharing information on allocation/confirmation (Continue examination of issues from Ph2 DLT application to trade reconciliation) <small>* Issues not related to DLT platform include consideration of unification of the Equity Confirmation format.</small>	

# Use Case 1

## Sharing fund/SSI/basic corporate information

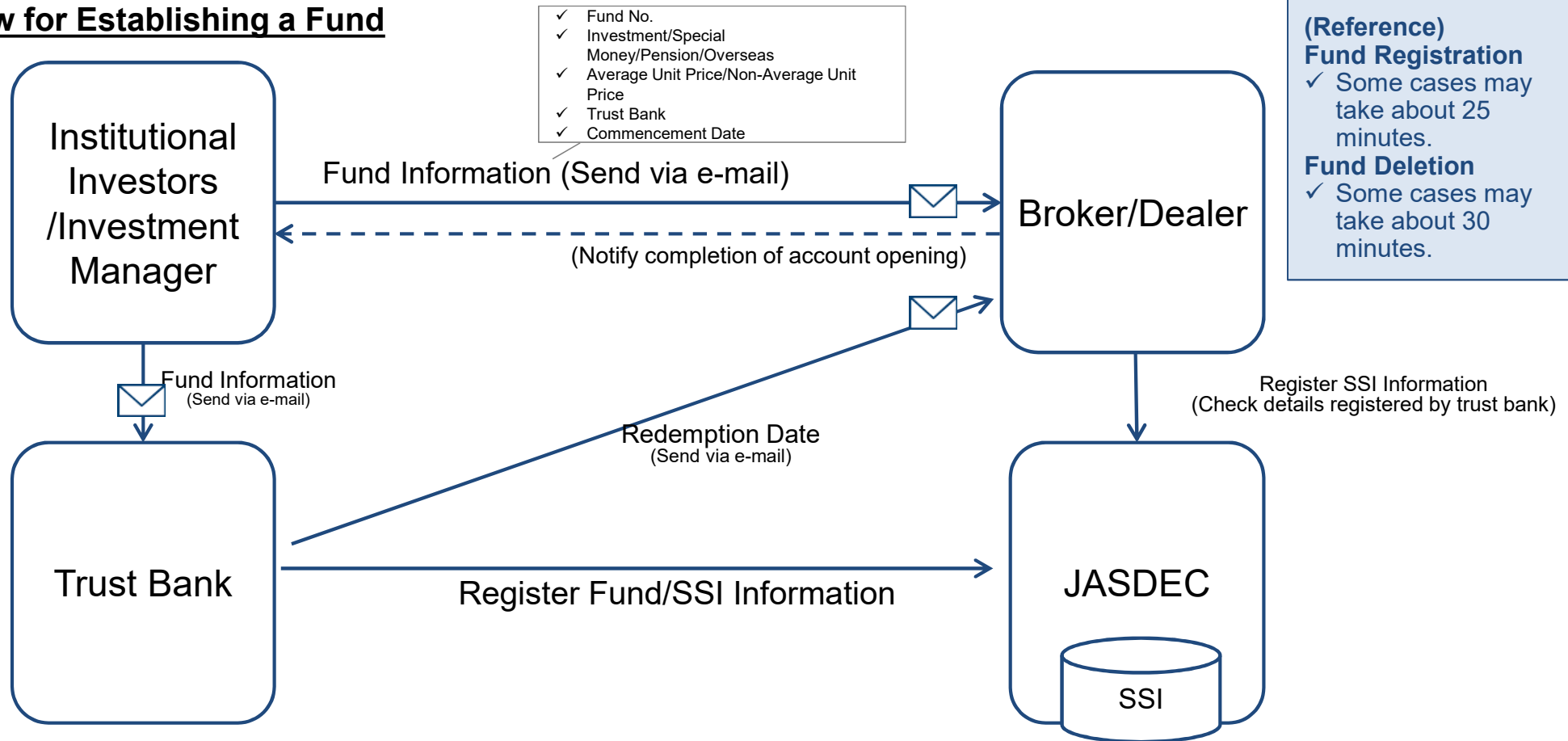
- Currently, there is no platform for sharing information when information is deleted due to revision, redemption, etc. or registered at the time of establishing a fund. Information is communicated via e-mail, which is inefficient. SSI is also required to be registered separately from fund information.
- By automatically generating SSI information based on registered fund information and automating deletion notices for redemptions on a DLT platform, centralize management of fund and SSI/corporate information and improve operational efficiency.

### Sharing Fund/SSI/Basic Corporate Information



### Current Issues

#### Flow for Establishing a Fund



<Issues related to Fund/SSI Information Setting/Revision>

✓ Sharing information sharing via e-mail is inefficient, and it takes time to identify the cause of a data mismatch.

<Issues to be Addressed in Deleting Fund/SSI Information>

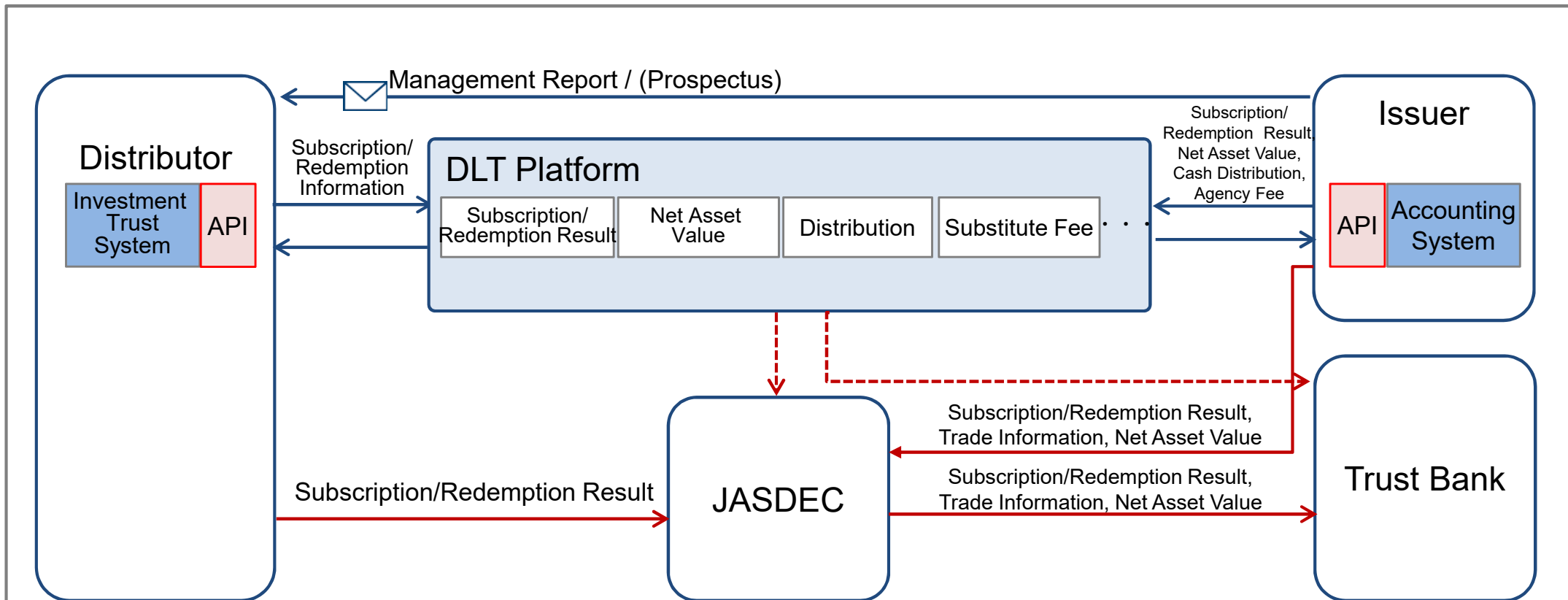
✓ SSI needs to be deleted at the same time as the termination of fund operations, but such maintenance is sometimes not properly done, resulting in the terminated fund remaining in the system.

## Use Case 2

### Resolution of non-compatibility of fund distribution networks

- Three system vendors provide fund distribution networks for investment trusts. However, since the systems are not fully mutually compatible, both fund managers and distributors are burdened by costs and operations, and Japan Investment Trust Association has asked vendors to improve the situation.
- By bringing the current information sharing operations in the fund distribution networks onto a DLT platform, reduce costs and improve operational efficiency.

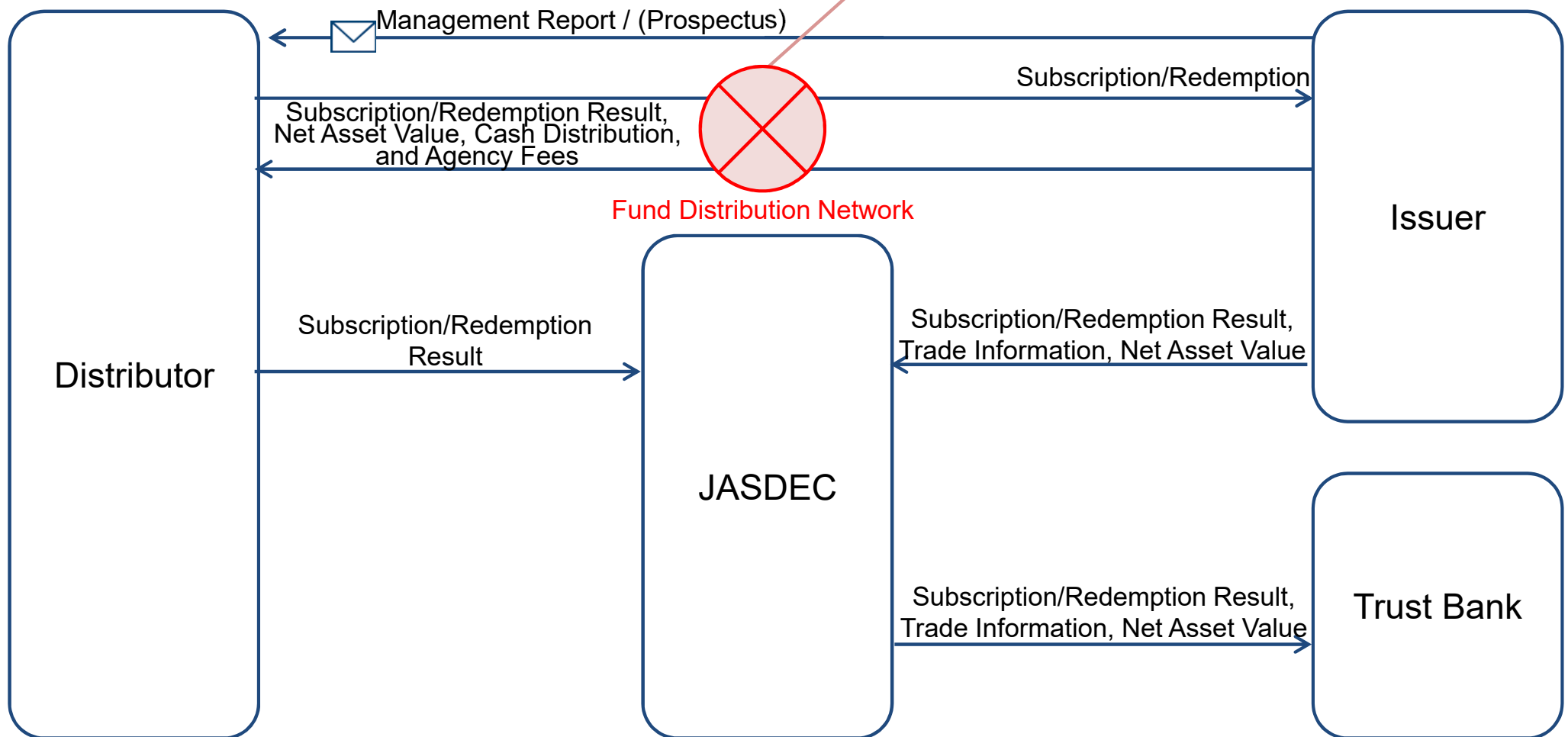
#### Sharing Information on Fund Distribution Networks



- \* Future improvements may allow information sharing between JASDEC and trust banks to be changed from  $\rightarrow$  to  $-\ -\rightarrow$
- \* Scope also considers sharing data such as fund information and information on non-business days.

### Current Issues

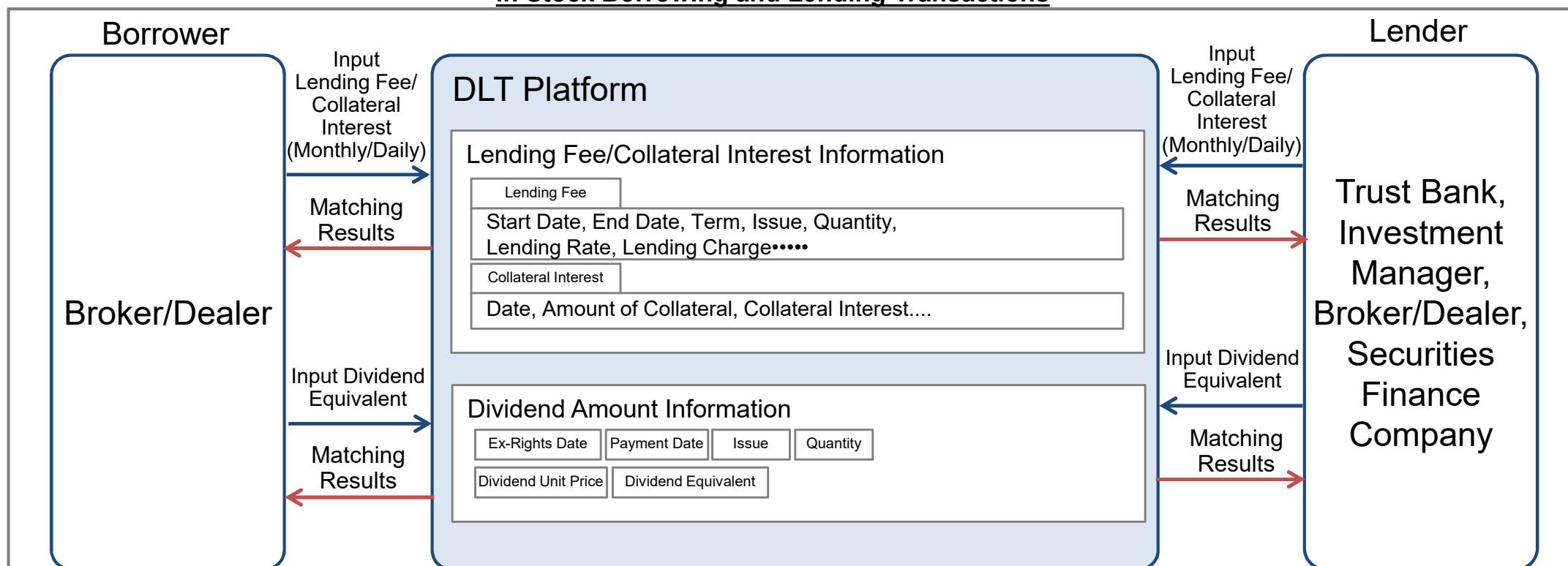
- ✓ Services are provided separately by three companies using fund distribution networks, and data linkage is incomplete.
- ✓ There are aspects in which operational costs and system costs are incurred due to the services being separate.



## Use Case 3: Sharing information on borrowing/lending fee/collateral interest and dividend equivalent in stock borrowing and lending transactions

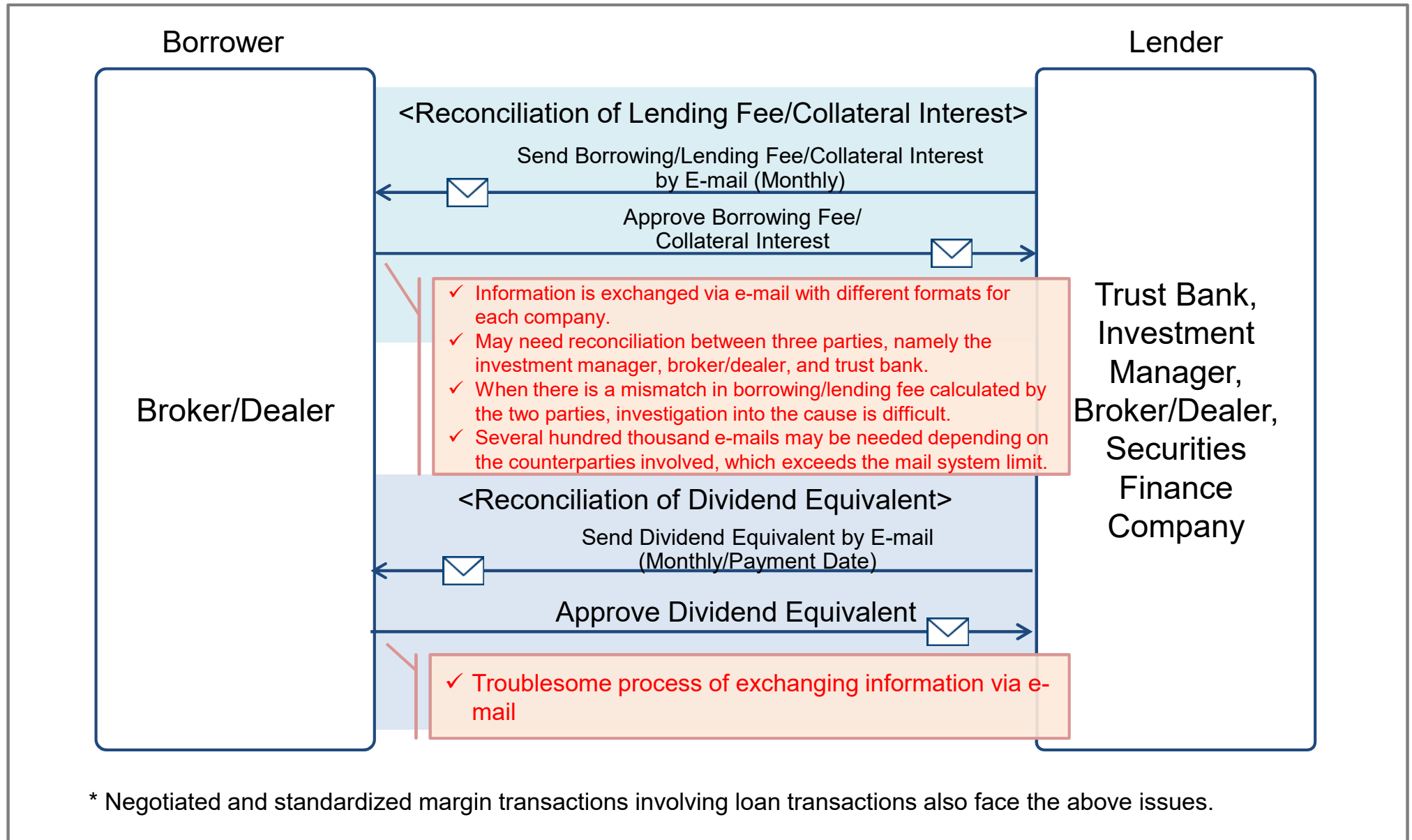
- Currently, information on borrowing/lending fee/collateral interest/dividend equivalent in stock borrowing and lending transactions is shared between borrower/lender by e-mail without an industry-wide standard format, which results in large operational burden for reconciliation or checking mismatches.
- By establishing a DLT-based framework for sharing data on borrowing/lending fees, collateral interest, and dividend equivalent, centralize data management and improve operational efficiency.

### Sharing Information on Borrowing/Lending Fee/Collateral Interest and Dividend Equivalent in Stock Borrowing and Lending Transactions



\* Future improvements may allow automatic calculation of borrowing/lending fee/collateral interest/dividend equivalent based on input of trade information and change in the collateral amount on the DLT platform.

## Current Issues



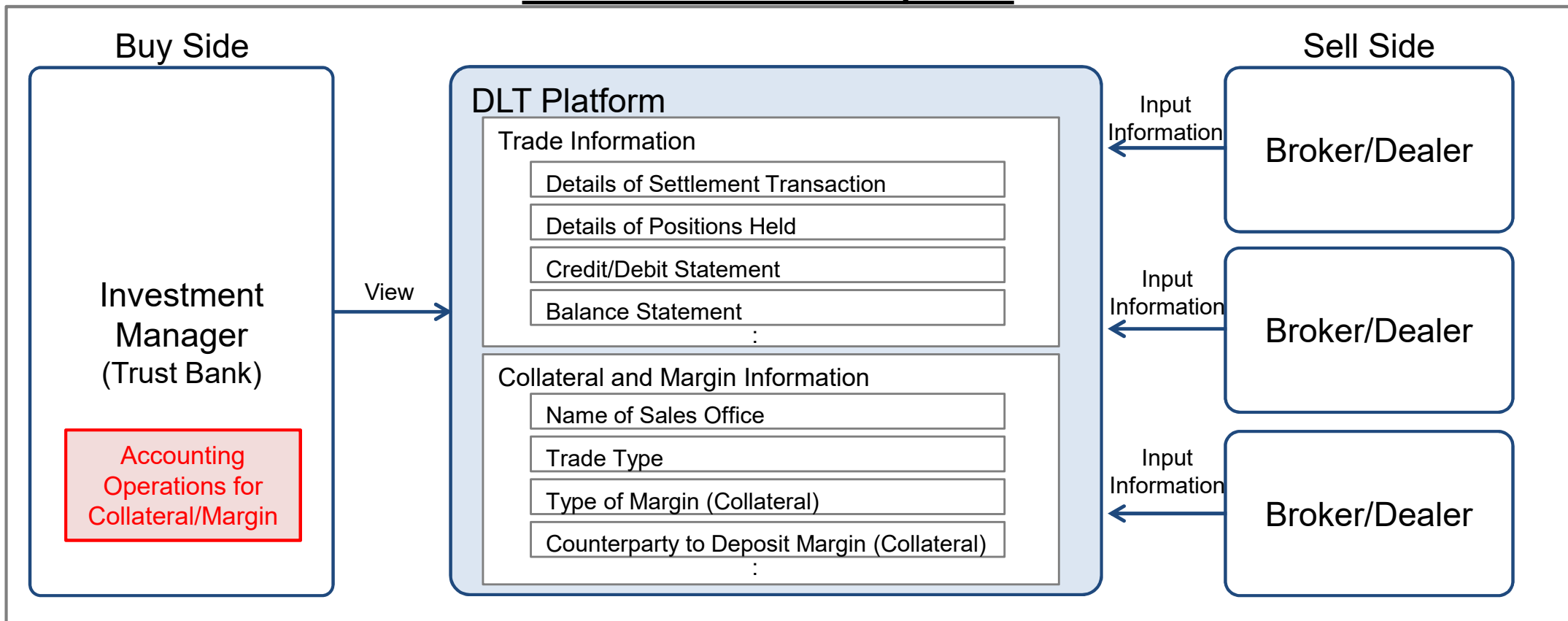


## Use Case (a)

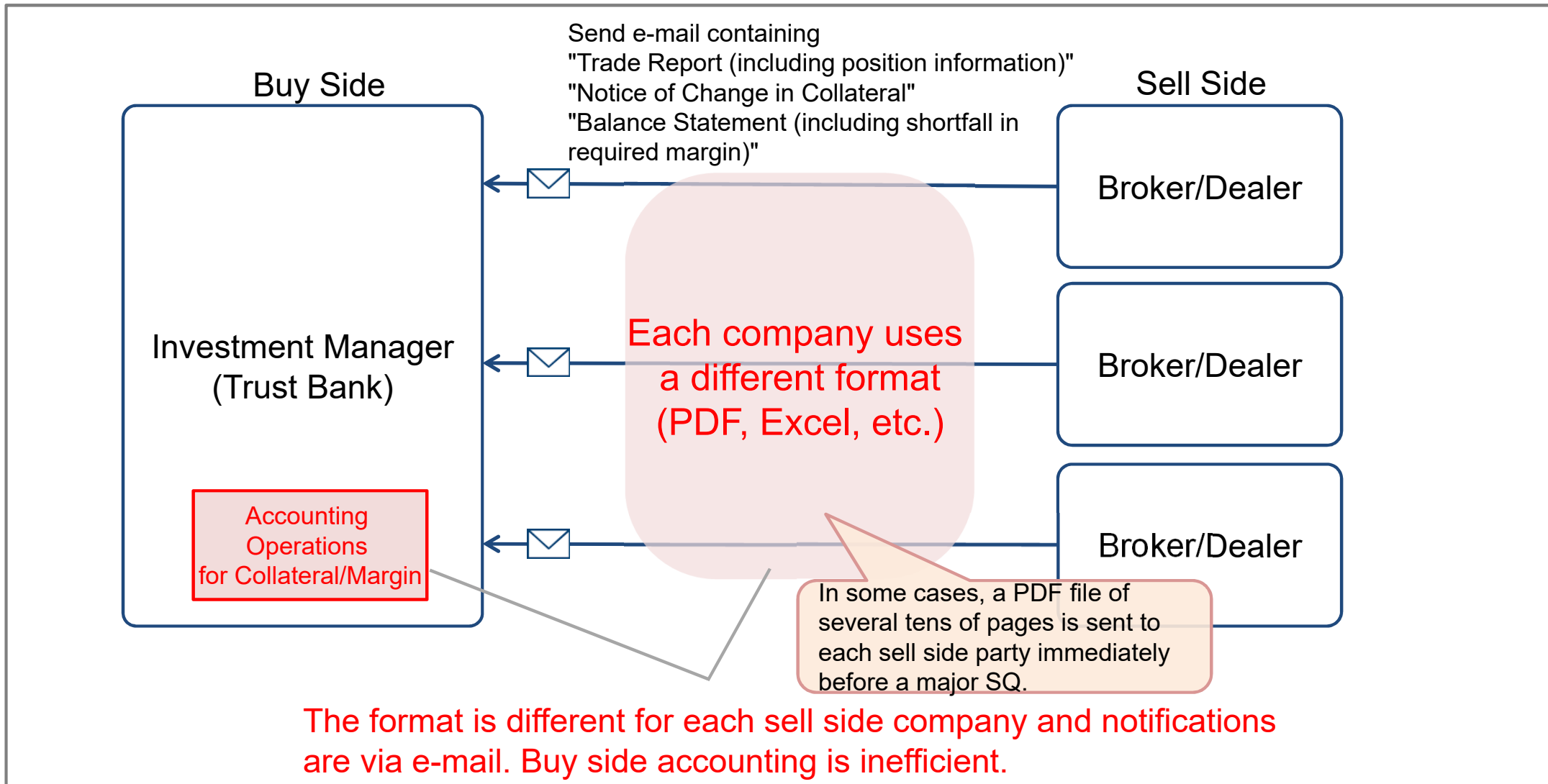
### Sharing information on changes in collateral/margin for listed futures and options

- Accounting operations on buy side uses trade reports presented by securities companies in collateral and margin notice of changes in collateral/balance statement, but operations are inefficient as each company uses different formats and notifications are via e-mail.
- By establishing a DLT-based framework for trade reports and collateral/margin data sharing, centralize data management and improve operational efficiency.

### Sharing Information on Changes in Collateral/Margin for Listed Futures and Options



## Current Issues

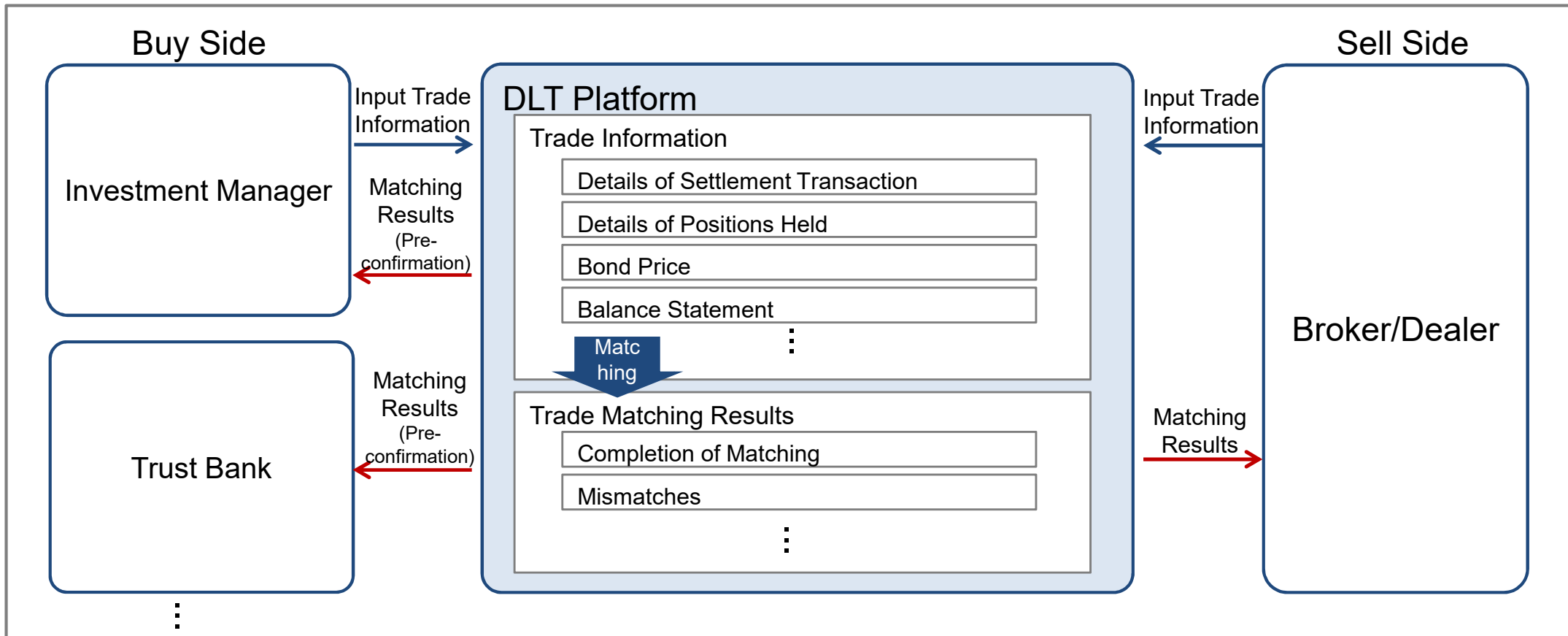


## Use Case (b)

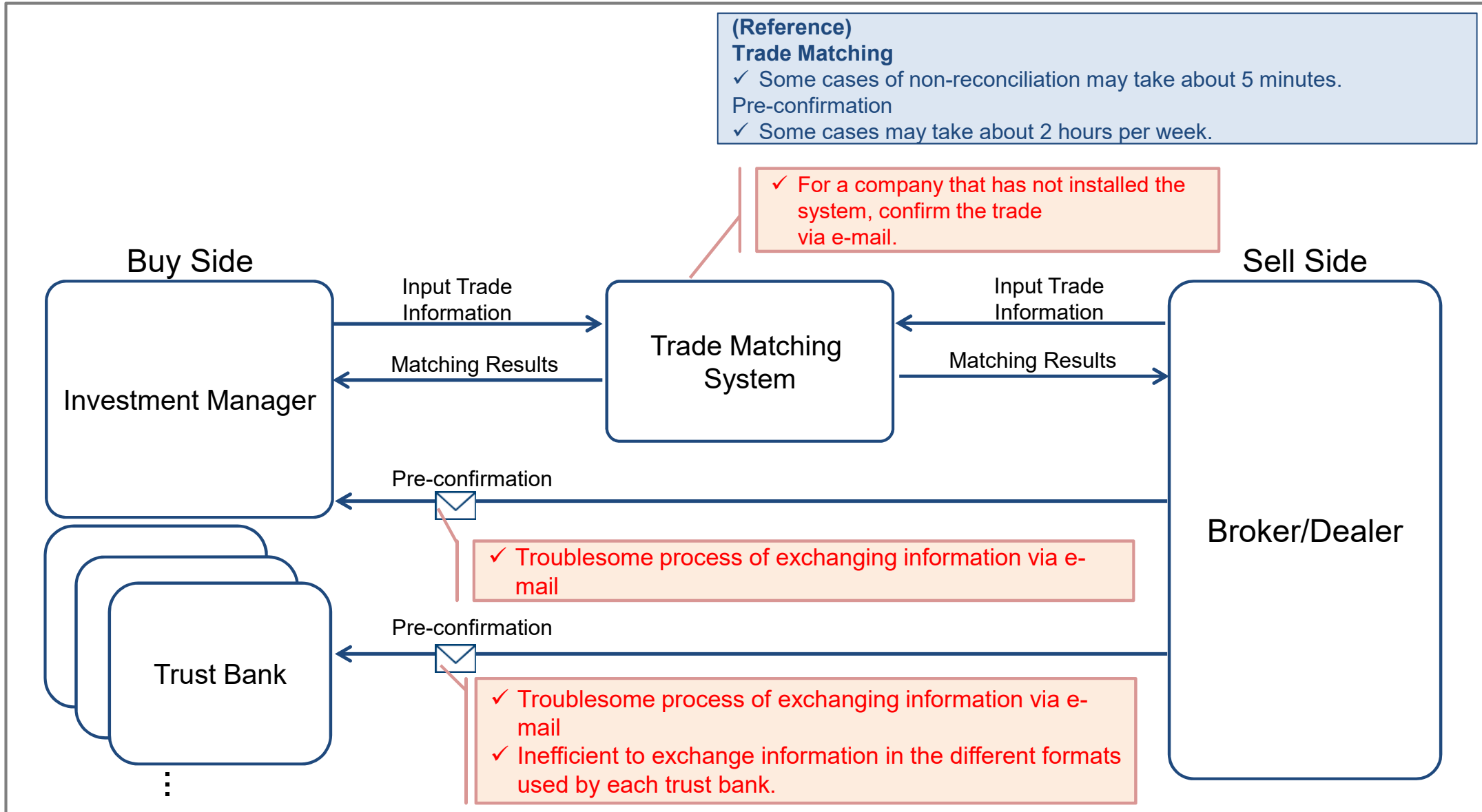
### Sharing information in trade reconciliation for foreign bonds

- Legal confirmation from the local market and other pre-confirmation information (trade information) is sent after trade reconciliation in foreign bonds, but almost every trust bank has its own format.
- By creating a mechanism for sharing for pre-confirmation information (trade information) on a DLT platform, centralize data management and improve operational efficiency.

### Sharing Information in Trade Reconciliation for Foreign Bonds



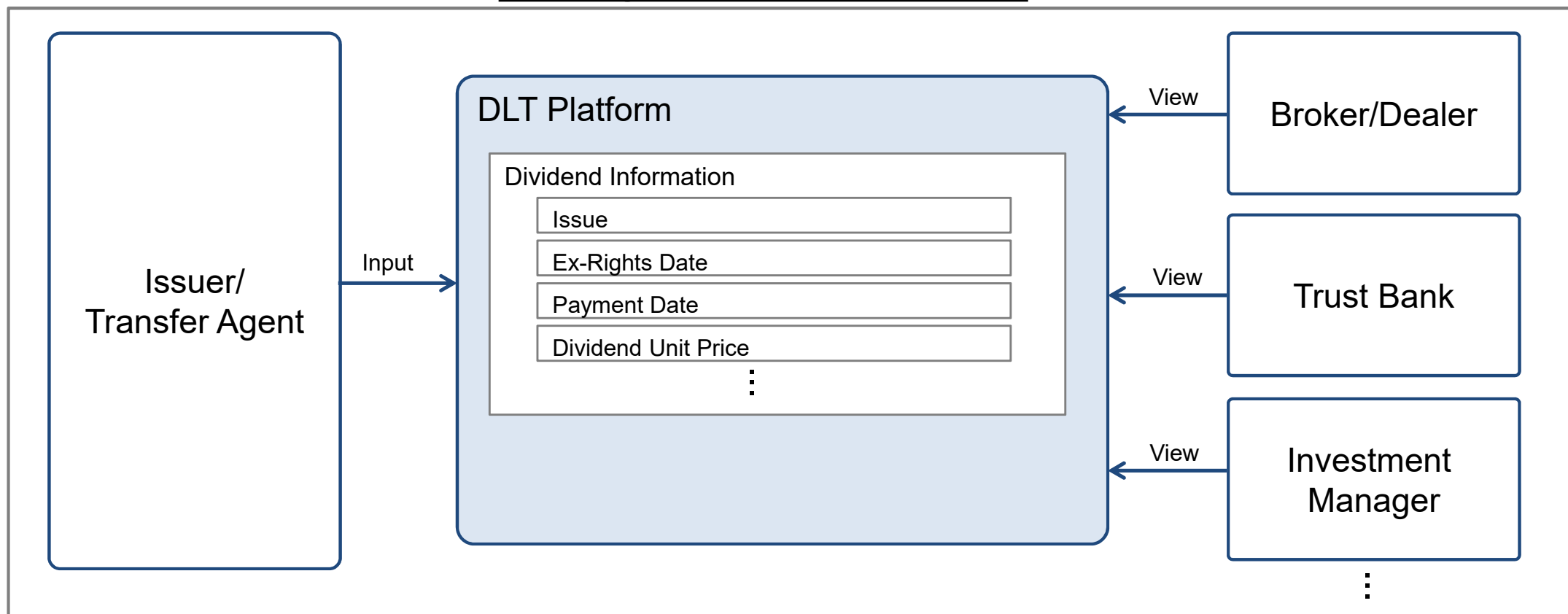
### Current Issues



## Use Case (c) Centralized management of dividend information

- In stock borrowing and lending transactions, in the process of acquiring dividend information from an information vendor via a system vendor, if dividend information had been updated, there were instances where the latest information could not be obtained, which results in discrepancies.
- By enabling information on dividend to be shared on a DLT platform and having issuers and securities agencies register them, centralize data management and improve operational efficiency.

### Sharing Dividend Information



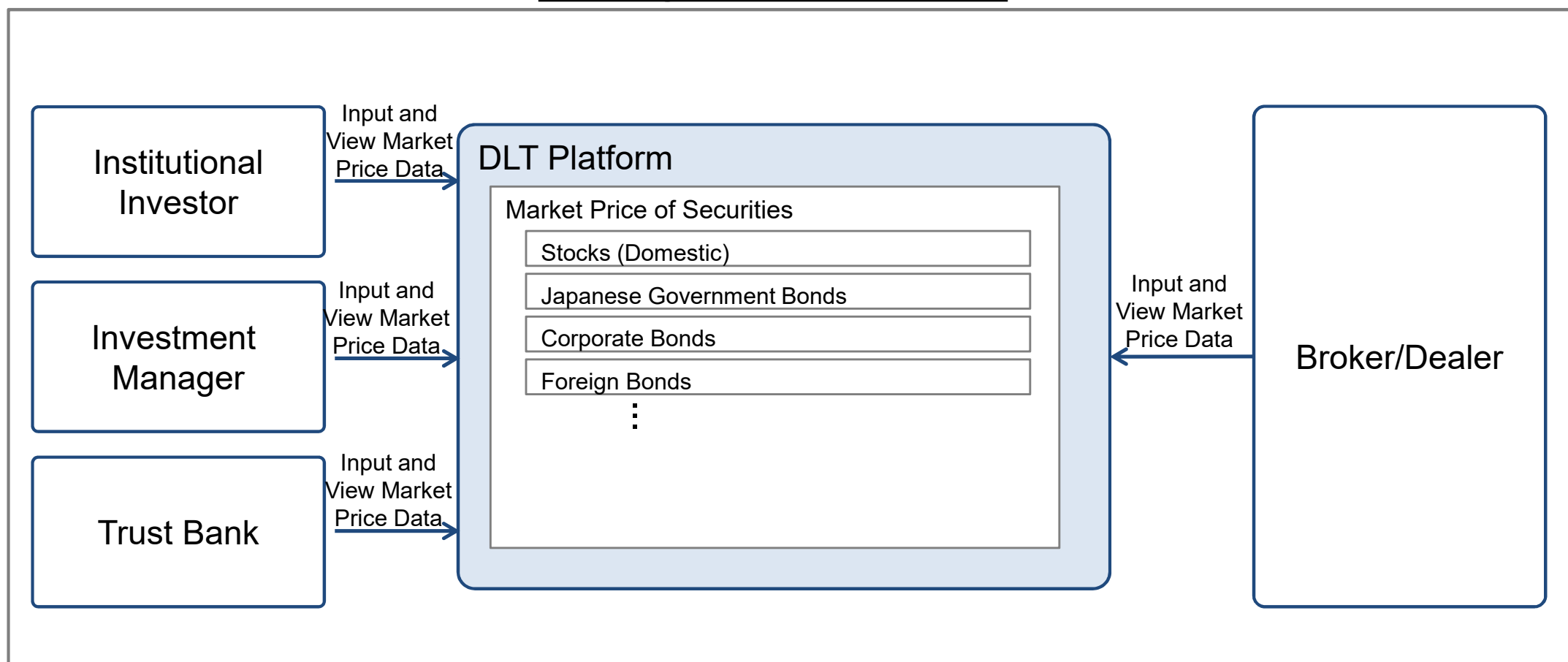
\* Currently, some cases of discrepancy in dividend information may take around 15 minutes to address..

## Use Case (d)

### Centralized management of market price data

- In stock borrowing and lending transactions, each company obtains market prices from different information vendors, and this results in discrepancies in collateral calculation, etc.
- By maintaining market price data on a DLT platform and sharing it among the companies, centralize data management and improve operational efficiency.

### Sharing Market Price Data

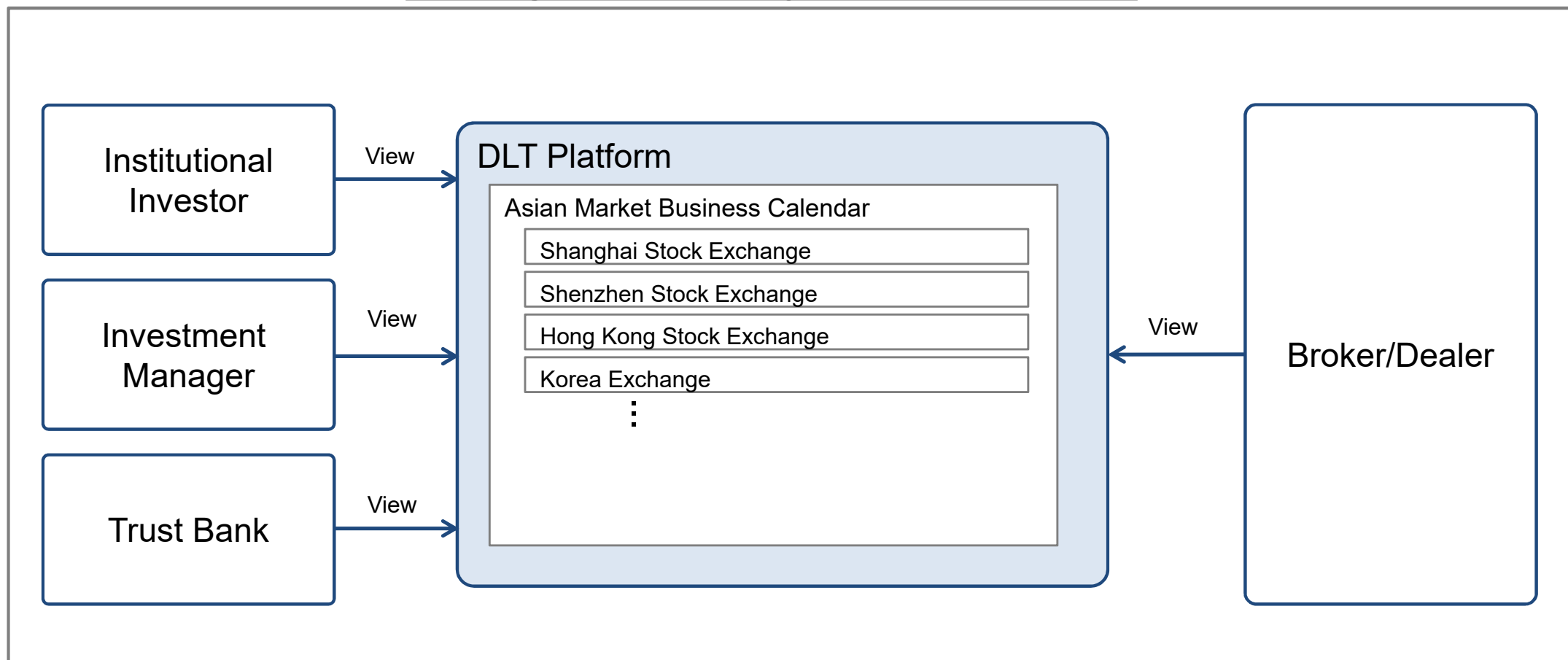


## Use Case (e)

### Centralized management of business days of Asian markets

- Since there is no single source that compiles the business days of all markets, each company or relevant department checks the information from time to time.
- As such operation is inefficient and does not lead to differentiation of services at each company, by maintaining and sharing the business calendars of Asian markets on a DLT platform, centralize data management and improve operational efficiency.

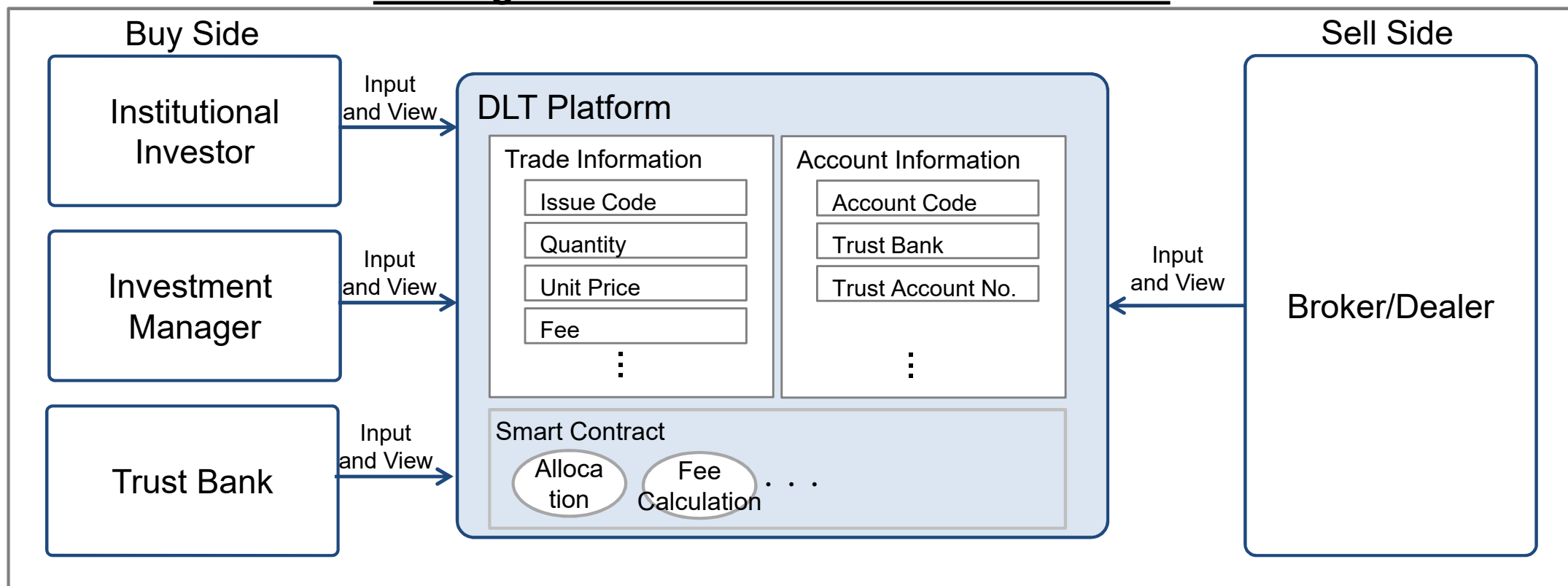
### Sharing Business Days of Asian Markets



## User Case (f): Sharing information on allocation/confirmation (Continue examination of issues from Ph2 DLT application to trade reconciliation)

- Buy side designates transmission method for allocation and trade details (pre-confirmation), but formats and methods are different. Fee and consumption tax is calculated on sell side without information from buy side, resulting inefficient operations, such as mismatches due to rounding.
- By sharing trade information (including fees and consumption tax) and account information between the sell and buy sides on a DLT platform, centralize data management and improve operational efficiency.

### Sharing Allocation/Confirmation Information





# Image of Verification of Selected Use Cases

