

JSDA (Equity Planning) 17 No. 60
JSDA (Special Member) 17 No. 175

January 17, 2006

To: Representatives of Members
Representatives of Special Members

From: Hiroshi Koshida, Chairman, Japan Securities Dealers Association
Tatsuhiko Kawakami, Chairman, Self-Regulation Committee

Re: On Partial Amendment of Resolutions of Board of Directors (Self-Regulation Committee Resolutions) “On Allocation of Stocks, etc., to Clients in Underwriting, etc., of Public Offerings, etc.”

The Japan Securities Dealers Association (JSDA) set up the “Working Group on the Ideal Way to Allocate IPO Stocks to Clients” in February last year under the Equity Market Committee. This working group energetically investigated matters such as the ideal price and how to determine allocatees through the bookbuilding process for IPO stocks. The JSDA has now put together the investigation results of the working group as a report, “On the Ideal Way of Allocating IPO Stocks and Setting Prices, etc.,” which was published on November 14, last year.

As future measures, this report advocates that the resolutions of the Board of Directors of the JSDA make it obligatory to introduce a ballot system to allocate IPO stocks and for each Association member to state its basic policies on allocation in terms that are as concrete and easy for investors to understand as possible. As it is about to make the necessary enhancements to achieve these, the JSDA has solicited public comments from November 14 through to December 13 on the resolutions of the Board of Directors (Self-Regulation Committee Resolutions) “On Allocation of Stocks, etc., to Clients in Underwriting, etc., of Public Offerings, etc.”

This letter is to notify you that, in light of the views contributed as public comments, the JSDA recently amended the resolutions of the Board of Directors as indicated in the Attachment, and has decided to put them into operation from July 1, this year.

The JSDA requests you to arrange for the executives and staff of your firm to be familiar with this information.

Contact number re this notice:

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