

ISDA® JAPAN MONTHLY UPDATE

December 2014

COMMITTEE ACTIVITIES

REGULATORY: Contact: Tomoko Morita (tmorita@isda.org)

On December 10, members of Japan OTC Derivatives Regulations Working Group met to discuss the issues relating to upcoming trading requirements on Electronic Trading Platforms (ETPs). Members agreed on 1) list of questions and comments to be raised to Japan FSA based on the final rules and responses to comments submitted from the industry, 2) possible impediments to implementing the rules by September 2015, and 3) best practices that members agree toward implementing the rules.

On December 19, ISDA met with Japan FSA to share the discussions held in the OTC Derivatives Regulations Working Group on December 10. ISDA also raised questions on the final rules, such as the treatment of novation, excise of swaption, and backloaded transactions to CCPs, how to identify the entities subject to the rules, and how to identify the ETPs that may provide related services from September 1, etc. The minutes of the meeting were circulated to the members of the Working Group.

COLLATERAL: Contact: Tomoko Morita (tmorita@isda.org) / Kaori Horaguchi (khoraguchi@isda.org)

On December 3, Japan Collateral Committee meeting was convened and participants were updated with the following issues:

1. Margin requirements
 - Regulatory developments in key jurisdictions
 - Overview of ISDA's responses to US prudential regulators and CFTC
2. IM Segregation scheme
 - IM segregation scheme using Japanese trust account and custodians
 - Operational flows and issues using these schemes – issues and possible solutions
3. Update on WGMR workstreams

On December 24, members of IM Segregation Working Group met to discuss final draft of trust account agreement which will be used between a collateral provider, a collateral receiver and a trust bank as a standard document when using Japanese trust banks' account for IM segregation.

Under the separate working group meetings, the operational flows in terms of IM using trust account scheme started to have been reviewed. Members discussed respective flows of posing IM in JPY cash, USD cash, JGBs, and US Treasury, and flows of receiving excess IM in JPY cash, USD cash, JGBs and US Treasury cross-border i.e. between Japanese firms and non-Japanese firms.

ISDA set up a Working Group to review Japanese Credit Support Annex to comply with margin requirements.

RISK MANAGEMENT: Contact: Tomoko Morita (tmorita@isda.org)

On December 11, ISDA met with Japan FSA to share key principles on CCP recovery (Principles) that ISDA launched on November 25. ISDA also met with Japan Security Clearing Corporation (JSCC) to exchange views on the Principles. ISDA prepared Japanese translation of the Principals for the purpose of reference, which is available [here](#).

UPCOMING COMMITTEE AND WORKING GROUP MEETINGS / CONFERENCES

OTC Derivatives Working Group
(Japanese language meeting)

tbd

ISDA Resolution Stay Protocol Symposium
(Japanese language symposium)

January 26

The New 2014 ISDA Credit Derivatives Definitions
(Japanese language symposium)

February 16