

ISDA® JAPAN MONTHLY UPDATE

July 2014

COMMITTEE ACTIVITIES

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

On July 1, JFSA published proposed amendments to the Cabinet Order, Cabinet Ordinance and Supervisory Guideline regarding electronic trading platforms (ETPs) for OTC derivatives and the mandatory use of ETPs. The proposal sets out various requirements for entities operating ETPs, such as minimum capital, items to be included in rule books, record-keeping, public disclosure of trades and requirements for obtaining permission from the Japan Financial Services Agency (JFSA).

ISDA's comments focused on clarification of the scope of transactions that are subject to the rules (i.e. packaged transactions or new transactions resulting from compression) and the method of publication of trade information. It also included a request for global coordination on mutual recognition or the exemption of non-Japanese entities operating electronic trading platforms, such as swap execution facilities in the US or MTF/OTF in the European Union.

On July 3, JFSA published proposed amendments to the Cabinet Ordinance and Supervisory Guidelines implementing margin rules for non-cleared derivatives for public consultation. The deadline for comments is August 4, 2014.

Also on July 3, JFSA published the proposed amendments to Cabinet Ordinances to expand the scope of entities subject to the trade reporting and mandatory clearing rules for public consultation with deadline of August 4, 2014..

For trade record keeping and reporting, insurance companies and transactions booked in a trust account will be required to be registered concerning the outstanding notional amount of OTC derivatives. In addition, insurance companies will be subject to the trade record keeping and reporting requirements. It will become effective on April 1, 2015. With regards to clearing requirements, insurance companies and transactions booked in a trust account that have a notional outstanding of OTC derivatives more than JPY 300 billion in average at the end of month in the previous year will be subject to mandatory clearing. It will become effective on December 1, 2016. Public

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

Members of Japan Accounting Committee met on July 16. E&Y overviewed on practical issues in applying IFRS 9 on general hedge accounting, including rebalancing and the treatment of hedging cost, new accounting framework for dynamic risk management, including details of portfolio revaluation approach (PRA) and the possible use by Japanese corporate.

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

Japan Determinations Committee
AIFUL Corporation

On July 8 and 9, ISDA published the Resolution and further agreed statement of Japan Determinations Committee in relation to the potential Restructuring Credit Event with respect to AIFUL Corporation. The respective Resolution and further agreed statement can be accessed at:

UPCOMING COMMITTEE AND WORKING GROUP MEETINGS / CONFERENCES

OTC Derivatives Working Group
(Japanese language meeting)

tbc