

ISDA® JAPAN MONTHLY UPDATE

July 2016

COMMITTEE ACTIVITIES

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

IM Segregation Working Group

On July 15, the IM Segregation Working Group meeting was held to discuss the topics related to the progress update on the documentation work particularly in the Trust Agreement template and the Legal Opinion Letter ensuring the legal validity when the concerned Trust Agreement is used once finalized and published.

Members also discussed the possible issues impacted by EU's time delay in introducing the margin rule, where ISDA had sent the letter to JFSA dated July 5, BCBS/IOSCO dated July 8 as well as US regulators June 24 & 27 to highlight the points of pursuing global harmonization being crucial.

On July 7, ISDA sent an email notifying that the Japanese Law VM CSA had been published on July 6 in the [Credit Support Documentation section](#) of ISDA bookstore.

On July 25, JFSA published the Revised Cabinet Office Ordinances on their website (link: <http://www.fsa.go.jp/news/28/sonota/20160725-1.html>) in order to reflect the changes allowing the method similar to that of creating a trust account (e.g. a custodian) required in the IM segregation account control and management for the time being as an interim measure due to the issues impacted by EU's time delay in introducing the margin rule.

Commodity Derivatives

On July 8, ISDA submitted our comments to the Ministry of Agriculture, Forestry and Fisheries (MAFF) and the Ministry of Economy, Trade and Industry (METI) in responding to their jointly published [proposed amendments to Ministerial Ordinance](#) (Japanese only) for the introduction of margin requirements for over-the-counter commodity derivatives.

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

On July 21, ISDA submitted its comment letter to the Financial Services Agency of Japan (JFSA) on [their draft stay regulations requiring the inclusion of stay provisions in non-Japanese law governed agreements](#). (Japanese only)

Key comments include:

- ISDA requested a compliance period of at least one year following the adoption of the final rules, as well as a phased-in implementation schedule. Without this, it would become detrimental for a steady development of cross-border business for Japanese firms and their risk management policy and rules, and result in excessively high costs to comply with the regulation.
- The scope of transactions subject to the rules should be limited (i.e. transactions with sovereigns and

financial market infrastructures should be excluded), and the list of subject transactions should be clearly defined.

- It should be confirmed that the protocol referred in the draft is either ISDA 2015 Universal Resolution Stay Protocol or ISDA Resolution Stay Jurisdictional Modular Protocol with Japan jurisdictional module, which will be implemented in the near future (i.e. adherence to these protocol should satisfy the requirements).

UPCOMING COMMITTEE AND WORKING GROUP MEETINGS / CONFERENCES

IM Segregation Working Group – Legal Users Sub-Working Group
(Japanese language meeting)

August 17

IM Segregation Working Group
(Japanese language meeting)

August 19