

ISDA® JAPAN MONTHLY UPDATE

August, 2009

COMMITTEE ACTIVITIES

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

Japan Collateral Committee met on August 6 to discuss the current status of the operational commitments in the letter submitted to the Fed on June 2, i.e. more frequent and regular portfolio reconciliation and the industry-wide solution for the dispute resolution process. In the meeting, the members from the Operations Management Group (OMG) explained the details and the background discussions of the Dispute Resolution Protocol and some of the practical issues in portfolio reconciliation and dispute resolutions were also discussed.

OPERATIONS: Contact: Kumi Namba (knamba@isda.org)

On August 25, foreign dealer firm members met to discuss the CDS electronic platform on-boarding initiative set out in the June FED letter. Participants suggested that to discuss the initiative further with broader membership, a meeting of Japan Operations Committee should be called for before the on-boarding target end date which is September month end.

CREDIT DERIVATIVES: Contact: Tomoko Morita (tmorita@isda.org) / Kumi Namba (knamba@isda.org)

Japan CDS Standardization Working Group had its second meeting on August 4 to further discuss what conventions would work best for Japan CDS market. As no clear consensus was confirmed for standard coupons and recovery rates, members decided to further review the proposed choices and take an e-mail vote for each item in coming weeks. As the result of the poll, 3 standard coupons (25/100/500) and recovery rates of 35% for Senior and 15% for Sub were determined as WG's proposed new standards to be implemented starting December 09 role date.

On August 26, Japan Credit CCP Working group was held to talk about the draft proposals for Credit CCP on Japanese CDS. The items considered to be important for such CCP include 1) interoperability or linkage between CCPs, 2) direct/indirect clearing members, 3) cost efficiency, 4) technical supports during Tokyo time, 5) product scope, 6) regulatory (capital and legal compliance) , 7) workflow and 8) the timing (targeted launch date).

EQUITY DERIVATIVES: Contact: Kumi Namba (knamba@isda.org)

On August 6, ISDA circulated the revised draft of Japanese Dividend Swaps MCA amendments to the working group members. Comments were due August 20.

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

On August 27, ISDA met with Mr. Shirakawa, the Governor of Bank of Japan, and Robert Pickel, ISDA's CEO, explained the various initiatives in order to secure the soundness of OTC derivatives market, such as standardization of OTC derivatives contracts, increasing efficiency in collateral management practices, improving operational infrastructures and clearing solutions. ISDA also met with Mr. Yamasaki, Deputy Commissioner for International Affairs and Mr. Terada, Director, Financial Market Division at Financial Services Agency of Japan, and exchange views on recent regulatory developments in the US and Europe and the future direction of OTC derivatives market.

UPCOMING COMMITTEE AND WORKING GROUP MEETINGS/CONFERENCES

Credit CCP Working Group
(Japanese language meeting)

tbc

Japan Operations Committee
(Japanese language meeting)

tbc

