

ISDA® JAPAN MONTHLY UPDATE

December, 2008

COMMITTEE ACTIVITIES

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

Following the discussions in Japan Accounting Committee meeting, the draft letters to Accounting Standard Board of Japan (ASBJ) and the Japanese Institute of Certified Public Accountants (JICPA) were circulated to Committee members on December 18. The draft letter discussed 1) the hedge effectiveness tests for hedge accounting, 2) applicability of hedge accounting for coupon swap transactions, 3) expansions of exemplifications of hedge accounting in guidelines.

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

On December 2, ISDA met with Mr. Maruyama, Deputy Commissioner for International Affairs of Japanese FSA for information exchange and reviewing the recent market events since September.

ISDA hold a briefing session to Japanese FSA on CDS Auction Protocol, in which over 20 officials were participated. David Geen, General Counsel at ISDA, provided explanations of CDS auction procedures/timelines, and how the Final Price is determined by the auction. The process of hardwiring CDS protocols to the Definitions was also discussed at the session.

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

On December 2nd and 9th respectively, Japan Operations Credit Derivatives Working Group members joined the second and third conference call of Calculation Agent Working Group to further discuss the standardization of the Calculation Agent City (CAC) for Japan Corporate transaction type. As a result, the majority of attendees agreed to amend old transactions that specify CAC as London to Tokyo by adhering to protocol and/or executing bilateral amendment agreements. Draft protocol and amendment agreement template will be prepared by ISDA and circulated in due course.

Japan Operations Committee met on December 3rd to discuss how to further promote the use of electronic confirmation platforms in Japan. Representatives of DTCC DerivSERV did a presentation on their services and MarkitWire representative provided updates on status of planned launch of joint venture by the two companies.

On December 19, ISDA participated at the 4th meeting of the Study Group for OTC Derivatives post-trade infrastructure organized by the Tokyo Securities Exchange, Japan Securities Clearing Corporation and Japan Securities Depository Center.

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

Japan CDS Auction Working Group met on December 1st to hear updates provided by ISDA's General Counsel, David Geen on recent discussions from the auction hardwiring working group meetings and discussed how the new developments may affect the Japan market.

Volunteer members of Japan Credit Derivatives Committee have started preparing a FAQ on CDS to be posted onto ISDA's website as well as the J-CDS page provided by the Tokyo Financial Exchange. This is an effort to promote accurate understanding about CDS business in Japan.

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

Japan Variance Swap Working Group met by conference call on December 11 to discuss Market Disruption Event materiality determination criteria for limit up/limit down Trading Disruption Event for Share Variance Swaps. Since no consensus was confirmed during the meeting, members agreed to submit each firm's proposed rules / criteria to ISDA and further discuss them in the future meetings. Next meeting will be scheduled for early 2009.

SURVEYS:

ISDA conducted an annual end-of-year survey on Japan Committee activities. Questionnaire sheet was

distributed on December 15 and members are requested to respond by January, 9, 2009.

UPCOMING COMMITTEE AND WORKING GROUP MEETINGS/CONFERENCES

CDS Q&A Working Group

(Japanese language meeting)

January 15

Risk Management / Operations Committee

(Japanese and English language meeting)

January 16