

ISDA® JAPAN MONTHLY UPDATE

February, 2006

COMMITTEE ACTIVITIES

Credit Derivatives:

Market Practice Subcommittee met on February 15 to discuss issues including; standardization of Calculation Agent City, proposed Cash Settlement approach for single name and index CDS, and documentation for quasi public corporations. Subsequent to the meeting discussions, members conducted a survey on preferred Calculation Agent City for Japanese Corporate and Sovereign CDS.

On February 21, Committee members were requested to participate in the annual survey of Japanese CDS Market activities. **Responses are due March 10.** Contact: Kumi Namba (knamba@isda.org)

Equity Derivatives

Third draft Japanese Variance Swap Master Confirmation form was circulated to the Working Group on February 3 and the Working Group members met on February 28 to discuss the remaining issues on the draft. Summary of meeting discussions and a new draft anticipated for circulation early March. Contact: Kumi Namba (knamba@isda.org)

Regulatory

On February 27, ISDA submitted the comment letter to the Accounting Standard Board of Japan (ASBJ) on its exposure draft on the Guidelines for accounting hybrid financial instrument (embedded derivatives), viz. Inflation-linked Bonds and Credit-link products, focusing on the scope and requirements for credit-linked products that are to be accounted for separately.

Contact: Tomoko Morita (tmorita@isda.org)

Risk Management

Japanese FSA has released the pre-publication draft of the Implementation paper as well as their responses to the comments from industry including ISDA on February 23. ISDA plans to attend the skull practice with the regulators on the rulebook text (Q&As) re credit risk mitigation and off balance transactions.

Contact: Tomoko Morita (tmorita@isda.org)

OTHER ACTIVITIES

Novation Protocol II (“NP II”)

NP II opened for adherence on Wednesday, February 1, and will remain open indefinitely to facilitate the entrance of new entities to the market. Final document and explanatory materials are available on ISDA website (www.isda.org).

UPCOMING COMMITTEE AND WORKING GROUP MEETINGS

Japan Steering Committee: (Japanese language meeting)	March 3
Japan Weather, Commodities & Developing Products Committee (Jointly with Energy, Commodities & Developing Products Committee): (English language meeting)	March 16
Japan Credit Derivatives Committee: (Japanese language meeting)	April (date tbc)
Japan Regulatory Committee: (Japanese language meeting)	April 11