

# ISDA® JAPAN MONTHLY UPDATE

June, 2008

## COMMITTEE ACTIVITIES

**REGULATORY:** Contact: Tomoko Morita ([tmorita@isda.org](mailto:tmorita@isda.org))

*Financial Instruments and Exchange Law:* On June 23, ISDA submitted the follow-up letter of the meeting with Financial Services Agency of Japan in April as to the remaining issues to be sought out after the implementation of the FIEL. Remaining issues included the treatment of the collateral posted against OTC financial future transactions, the requirements for exclusions from insider trading rules as to credit derivatives, the treatment of the property derivatives, as well as the possibility that settlement under the auction mechanism, particularly the RAST being treated as the establishment of PTS.

**WEATHER, COMMODITY & DEVELOPING PRODUCTS:** Contact: Tomoko Morita ([tmorita@isda.org](mailto:tmorita@isda.org))

*Emission Trading:* On June 26, Ministry of Economy, Trade and Industry (METI) published the final report on the issues to facilitate an accessibility of the emission credits under Kyoto Protocol ("Kyoto credits"). ISDA plans to submit the comments discussed in the meeting of Japan Emission Trading Working Group.

**COLLATERAL:** Contact: Tomoko Morita ([tmorita@isda.org](mailto:tmorita@isda.org))

The detailed results of an annual survey of Collateral use in OTC derivatives in the Japanese market, which were participated by 25 institutions including Japanese and non-Japanese financial institutions, were reported back to the survey participants in June. The results showed the continuous increase both in amount of collateral in circulation and the number of collateral agreements.

**CREDIT DERIVATIVES:** Contact: Kumi Namba ([knamba@isda.org](mailto:knamba@isda.org))

Japan CDS Auction Working Group held its inaugural meeting on June 25. The group agreed to meet at ad hoc basis to discuss various issues associated with adoption of credit event auction mechanism in Japan market and to prepare a set of guidelines in Japanese language to promote a better understanding of the mechanism.

**EQUITY DERIVATIVES:** Contact: Kumi Namba ([knamba@isda.org](mailto:knamba@isda.org))

On June 18, ISDA advised the Japan Equity Derivatives Committee members that there was no clear consensus arising out of proposed Japan specific Market Disruption Event wordings which followed after a series of member calls. If the market is in agreement, ISDA will commence a new project to migrate the Japanese variance market to AEJ and other overseas variance markets' MDE terms (eg. eliminate materiality determination by Calculation Agent). Feedbacks on new proposal are due in 3 weeks.

ISDA circulated on June 27 the results of Japan Client Share/Index Option MCA Working Group member follow up on outstanding issues, together with a penultimate draft based on the results. Comments on the draft are due July 10.

## UPCOMING COMMITTEE AND WORKING GROUP MEETINGS/CONFERENCES

<b>Operations Committee Meeting</b> (Japanese language meeting)	<b>July 17</b>
<b>JMPF-MNPI Working Group Meeting</b> (Japanese language meeting)	<b>tbc</b>
<b>CDS Auction Working Group Meeting</b> (Japanese language meeting)	<b>August [tbc]</b>
<b>Property Derivatives Documentation Task Force Meeting</b> (Japanese language meeting)	<b>tbc</b>