

# ISDA<sup>®</sup> JAPAN MONTHLY UPDATE

*March 2010*

## COMMITTEE ACTIVITIES

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

It was agreed to approach IASB and to explain the issues concerning the hedge accounting from perspectives of Japanese corporates. More specifically on: 1) hedging practices/issues specific to the industries (oil companies, trading companies etc) in Japan, 2) possible simplifications to existing hedge accounting requirements, in advance of the publication of the Exposure Draft on Hedge Accounting rules by IASB, which is scheduled to be published in 2Q.

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

### *MARCH 1 INDUSTRY LETTER:*

Collateral Working Group, which consists of some of the G14 firms plus Japanese firms, had a meeting on March 10. G14 firms updated the commitments in March 1 Fed letter, as well as some local initiatives on portfolio reconciliation in Asia Pacific region.

### *COLLATERAL ASSETS SEGREGATION RULES:*

The FSA has published the revised Supervisory Comprehensive Guidelines for Financial Instruments Business Operators and the responses to the comments on the Guidelines, in which the FSA clarified the method of segregations for collateral posted against securities-related derivatives transactions and non-securities-related derivatives transactions. On March 12, the members from Japan Collateral Working Group had a meeting to discuss the practical issues to be compliant to the rules, e.g. how to calculate the necessary amount to be segregated, how to deal with expected profit of the clients, etc.

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

On March 11, Conrad Voldstad, CEO, and Robert Pickel, Executive Vice Chairman met with Governor Shirakawa at Bank of Japan and other senior officials to exchange views on the recent issues on OTC derivatives including the sovereign CDS, central clearing and other regulatory discussions around the world.

On March 12, Conrad Voldstad and Robert Pickel visited senior officials at the FSA and the Securities and Exchange Surveillance Commission (SESC), including Masamichi Kono, Vice Commissioner for International Affairs at the FSA and Kiyotaka Sasaki, Director, Strategy and Policy Coordination Division at the SESC, and discussed regulatory issues on OTC derivatives in Japan and other regions.

**REGULATORY/ CREDIT DERIVATIVES:** Contact Tomoko Morita ([tmorita@isda.org](mailto:tmorita@isda.org)) / Kumi Namba ([knamba@isda.org](mailto:knamba@isda.org))

### *JAPAN CREDIT CCP WORKING GROUP:*

Following the publication of the bill amending the Financial Instruments and Exchange Act (FIEA), Japan Credit CCP Working Group met to discuss the issues relating to CCPs on CDS on March 17. The Financial Services Agency (FSA) has submitted the bill to the Diet on March 9, which set forth the mandatory clearing of CDS on iTraxx Japan entered into with a Financial Instruments Business Operator (*Kinyu Shohin Torihiki Gyosha*) (according to the supplemental document). The issues discussed in the meeting included the recent regulatory developments on CCPs in Japan and other regions, legal interpretations of the provisions in the bill, and the current status of the considerations by member firms towards participating in CCPs.

### *AIFUL AUCTION:*

On March 25, 13 dealers participated in the auction to settle CDS trades across the market referencing Aiful Corporation. It was Japan's first CDS auction and the auction was administered by Creditex and Markit.

ISDA, with the representatives from member firms and outside counsel, held a session for officials from the FSA and the Bank of Japan on March 26. David Geen, General Counsel at ISDA, provided overviews of the Determinations Committee discussions and the auction process on Aiful and JAL, and traders from member firms reviewed the Aiful auction of March 25.

**SOVEREIGN CDS:**

On March 26, ISDA and representatives from a member firm met with the Bank of Japan to exchange views on recent discussions on sovereign CDS, including characteristics of market participants, current considerations and implications of CCPs for sovereign CDS.

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

On March 1, ISDA hosted a call to discuss draft of Second ISDA Japan Calculation Agent City Protocol. The protocol enables parties to extend amendments implemented earlier by Japan Corporate Calculation Agent City Protocol to a broader range of legacy Japan CDS transactions (including but not limited to iTraxx, Sovereign and certain bespoke portfolio). With the implementation of this new protocol, the definition of "Calculation Agent City" for applicable trades will be deemed specifying "Tokyo." On the following day, ISDA launched the protocol for adherence on its website and the adherence period closed on March 17, with 87 adhering parties.

## **UPCOMING COMMITTEE AND WORKING GROUP MEETINGS/CONFERENCES**

**Property Derivatives Working Group**  
(Japanese language meeting)

**April 8**

**ISDA 24th Annual General Meeting**  
**The Fairmont San Francisco**

**April 21–23**

**Credit CCP Working Group**  
(Japanese language meeting)

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