# ISDA® JAPAN MONTHLY UPDATE

*May, 2006*

## COMMITTEE ACTIVITIES

**Credit Derivatives:** Contact: Kumi Namba (knamba@isda.org)
Results of 2006 Japanese CDS Market Survey (2005 Year-End) was reported back to the survey participants on May 2. 17 member firms participated in this year's survey.

Japanese JMPF Working Group met on May 16 to recap on the group's activities and achievements for the past year and to discuss what steps should be taken next. Members agreed that before commencing any further work on preparation of a Japanese supplement to the JMPF statement, the group should consider submitting comments to the ordinance relating to the new Financial Instruments and Exchange Law. The cabinet order (to be drafted by Japanese FSA) is expected to define the issues associated with the handling of material nonpublic information by credit market participants in Japan.

On May 18, Japan Credit Derivatives Market Practice Subcommitee held a meeting to discuss the draft CDS protocol which reflects newly proposed settlement mechanic for Credit Derivative transactions. ISDA provided participants with the outline of the draft protocol as well as the background to the new proposal.

**Equity Derivatives:** Contact: Kumi Namba (knamba@isda.org)
On May 9, a proposed change to the definitions of Pt-1 circulated to Variance Swap Working Group. The group held a conference call on May 26 to discuss the proposal as well as use of actual N vs. Expected N. Another call will be scheduled next month to further discuss the two issues. Publication of the Japanese variance master confirmation postponed until all issues are resolved.

**Risk Management:** Contact: Tomoko Morita (tmorita@isda.org)
On May 17, ISDA met with Japanese FSA together with Japanese Bankers Association to discuss the specific treatments of maturity mismatch in the context of credit risk mitigation tools i.e. CSA and comprehensive deposit account. The result of discussion will result in Japanese FSA's Q&A which is expected to be published by the end of June. ISDA also submitted the comments to Japanese FSA regarding the treatment of structured products such as hedge fund-linked notes.

## UPCOMING COMMITTEE AND WORKING GROUP MEETINGS

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| **Japan Steering Committee:**<br>(Japanese language meeting) | **June 2** |
| **Japan Variance Swap Working Group:**<br>(English language meeting) | **tbc** |
| **FIEL* Legislative Working Group:**<br>(Japanese language meeting)<br>** Financial Instruments and Exchange Law* | **tbc** |
| **Japan Credit Derivatives Committee:**<br>(Japanese language meeting) | **tbc** |