

ISDA[®] JAPAN MONTHLY UPDATE

May 2010

COMMITTEE ACTIVITIES

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

On May 11, ISDA held a roundtable session with IASB staff to present proposals for IFRS hedge accounting in the areas of effectiveness testing, hedge accounting general principles and simplification based on two prevalent JGAAP special methods. In addition, ISDA presented investigation findings about how derivatives are used for risk management by corporates in Japan and offered estimates of how changes in hedge accounting might impact how Japanese corporates use derivatives for hedging purposes. IASB staff took strong interest in current local practice and requested additional input on the types of quantitative methods and how they should be used (mandatory or as additional support) in qualification and effectiveness determination.

The meeting concluded with good wishes for continued dialogue as part of the strong working relationship with ISDA and an agreement to continue discussion of technical issues by email.

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

Credit Derivatives

Japan Credit CCP Working Group met on May 21 to discuss the issues including the recent regulatory developments on CCPs in Japan and overseas and to finalize the draft WG comment letter to be submitted to the FSA in relation to the bill that requires mandatory clearing of certain Japanese credit derivatives. Draft letter discusses matters of concern raised by members and lists certain requests to the regulator for clarification and consideration; including the scope of parties and types of transactions to be subject to the regulation, treatment of cross-border transactions and handling of CCP cleared transactions in relation to regulatory capital requirements. Members agreed to submit the finalized letter to FSA in early June and to schedule a meeting with the regulator in mid-June.

Subsequent to the meeting and at some members' request, ISDA prepared an English translation of the draft WG letter and circulated it to the WG members.

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

Market Practice:

ISDA is conducting the 2010 ISDA Japanese Credit Derivatives Market Survey to measure the trading volume of key products and to identify the constraints that are impeding the development of the Japanese credit derivatives market. Results will be reported back to the members of Japan Credit Derivatives Committee.

Operations:

At the regular meeting of APAC Credit Operations Working Group on May 14, members discussed the proposed bulk amendment of Calculation Agent City in DTCC for all legacy Japan CDS transactions that were subject to the Japan CAC protocol. WG unanimously agreed to the proposed amendment Trade Date as of May 24 and Effective Date as of May 25.

WEATHER, COMMODITIES & DEVELOPING PRODUCTS: Contact Tomoko Morita (tmorita@isda.org)

Property Derivatives:

On May 28, Working Group members met to further discuss the confirmation template for Japan property indices. In addition to the template, members briefly discussed the market issues around property derivatives.

UPCOMING COMMITTEE AND WORKING GROUP MEETINGS/CONFERENCES

“Consent = Confirmation” industry education call
(English language conference call)

June 17 (tbc)

ISDA Symposium – How to read ISDA Netting and Collateral Opinions
(Japanese language conference)

June 17