

# ISDA® JAPAN MONTHLY UPDATE

September, 2007

## COMMITTEE ACTIVITIES

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

As requested by member firms, ISDA conducted a poll for the events that occurred on July 26 when Nintendo shares (listed on the OSE) traded and subsequently closed limit up but did not do so on the TSE. In addition, and on August 17, Nintendo, Marubeni and Nippon Mining Holdings traded limit down and ISDA again polled market participants. The results of two polls showed the bifurcated views among dealers and there was no consensus as to whether the limit up / down described above constituted an MDE. On September 20, in order to assist with the uncertainty in the market around these recent events, the conference call was facilitated for market participants to have a discussion and share views and/or approaches on materiality determinations in light of an MDE.

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

Responding to members' request on language preparation for CDS which convertible bonds are excluded from Obligation/Deliverable Obligation, the joint meeting of Japan Credit Derivatives Market Practice Subcommittee and MNPI/JMPF Working Group was held on September 3rd. Discussion included whether ISDA should provide language or template for these types of transactions and it was agreed to take a vote for the final decision. 10 out of 16 respondents were in favor of ISDA developing a non-standard form for such transactions (5 dissentients and 1 abstainee), and as a result, it was decided that ISDA would prepare the draft of the standard wording and circulate it to the members for reviews.

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

On September 14, ISDA met with Japanese FSA to discuss the remaining issues in advance of the implementation of the Financial Instruments and Exchange Law ("FIEL") on October 1st. The issues include the collateral management procedures under CSA vs. obligation of segregating assets, credit derivatives vs. the insider trading rules, confirmation as to the application of the law to the transactions solicited/conducted outside Japan, and etc. The members of Japan Regulatory Committee were provided with the results of discussions with J-FSA at the ISDA committee meeting held on September 25.

In relation to the FIEL implementation, ISDA prepared the sample forms for the documents to be delivered before the conclusion of OTC derivatives contract with investors which are not categorized in professional of OTC derivatives transactions. Also, the sample wording for "professional representation under FIEL" to be included in the Schedule to ISDA Master Agreement was prepared.

## UPCOMING COMMITTEE AND WORKING GROUP MEETINGS/CONFERENCES

<b>Dividend Swap Working Group</b> (English language conference call)	<b>October 12</b>
<b>Operations Committee Meeting (FpML Working Group)</b> (English language meeting)	<b>tpc</b>
<b>ISDA Regional Member Conference</b> Four Seasons Hotel Tokyo at Chinzan-so	<b>October 25</b>