

ISDA[®] JAPAN MONTHLY UPDATE

September, 2010

COMMITTEE ACTIVITIES

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

Credit Derivatives

A survey on the liabilities of clearing members for losses incurred by CCP clearing was conducted among Credit CCP Working Group, and 16 firms, 9 global / 7 Japanese, participated in the survey. The purpose of the survey was to ask whether those firms consider that such liabilities should be somehow limited or a CCP should never be defaulted with unlimited liability of clearing members. On September 17, members met to discuss these issues further and agreed to share the feedback with regulators.

Commodity

On September 13, ISDA submitted the comments on the exposure draft of the ministerial ordinances (*shorei*) to the revised Commodity Exchange Act published by the Ministry of Economy, Trade and Industry (METI). METI also published the public comments on the Government Ordinance (*seirei*) and their responses to those comments on September 10.

On September 27, ISDA submitted its comment on the exposure draft of the amendments to the Ordinances (*sekou kisoku*) for Banking Act to the Japan FSA. The amendments were posed by the implementation of the revised Commodity Exchange Act. ISDA requests that the provision should be amended to allow a bank to act as an intermediary, a broker, or an agent for OTC commodity futures transactions referring to the prices/indices of products listed on domestic exchanges as these businesses will be newly subject to the revised Commodity Exchange Act as of January 1, 2011.

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

Japan Collateral Committee meeting was held on September 13. Agenda for the meeting included 1) updates on various initiatives by G14 on collateral management such as DRP/MPP, 2) APAC Portfolio Reconciliations (MoU), 3) Best Practices for the OTC Derivatives Collateral Process, 4) Independent Amount White Paper etc and 5) Standardization of the CSAs.

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

Research Working Group members met on September 9 to discuss potential revisions to "Frequently Asked Questions on Credit Derivatives" which the WG originally prepared and published back in January 2009. Members agreed to update the existing FAQ articles as well as to add new topics, including CDS Auction settlement mechanics and Credit central clearing initiative. Publication of revised FAQ anticipated in early 2011.

Japan DC Determinations

On September 16, ISDA published Japan DC's decisions on Historical Succession Event questions for 1) Nisshin Co. LTD., 2) Nippon Unipac Holding, and 3) Hankyu Holdings, Inc.

On September 30, Japan DC resolved that a bankruptcy credit event has occurred in respect to Takefuji Corporation. The Committee also voted to hold an auction for Takefuji. As same as in the past auctions, ISDA will facilitate the process by publishing the auction terms on its website in due course, and the auction will be administered by Markit and Creditex.

COMMODITY DERIVATIVES: Contact Tomoko Morita (tmorita@isda.org)

On September 3, members met to discuss the issues relating to the exposure draft of Cabinet Ordinances and Ministerial Ordinances to the revised Commodity Exchange Act published by the METI. Members were also provided with an update on the call with the members of the IOSCO on August 6. Additionally, documentation project updating 2005 ISDA Commodity Definitions was introduced.

UPCOMING COMMITTEE AND WORKING GROUP MEETINGS/CONFERENCES

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| Japan Credit CCP Working Group (Japanese Language Meeting) | tbd |
| Accounting Committee (Japanese Language Meeting) | 10/18 |
| 2010 ISDA Regional Conference in Tokyo (Japanese and English language Conference) | 10/28 |
| ISDA Symposium - Legal Aspects of Clearing and Litigation in the OTC Derivatives Market (Japanese and English language Conference) | 10/29 |
| ISDA Symposium - The New Post-Trade World, including Clearing and Collateral Management Initiatives (Japanese and English language Conference) | 10/29 |