

ISDA[®] JAPAN MONTHLY UPDATE

July, 2012

COMMITTEE ACTIVITIES

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

On July 13, Japan Regulatory Committee was held and member were provided with the detail explanations of the “Cross-Boarder Application of Certain Swaps Provisions of the Commodity Exchange Act” published by CFTC on June 29, which provides clarification on the CFTC’s proposals for regulating swap transactions involving U.S. and non-U.S. counterparties, and the exemptive order which allows non-U.S. swap dealers/major swap participants to delay compliance with some of the requirements.

In response to the members’ concerns about the overreach of OTC derivatives regulations i.e. Dodd Frank Act in the US, EMIR in the Europe and the FIEA in Japan on cross boarder transactions, ISDA decided to initiate a working group to discuss specific issues/problems arising from the extraterritorial application of these regulations, and how those issues could be solved. There would be a significant impact on both Japanese and US/European dealers as more than 40% of the JPY interest rate swap transactions are conducted cross-boarder in Japan. In the working group meeting, members will prepare comments to be submitted to Japanese FSA, which include Japanese members’ feedback to CFTC’s proposed guidelines but also potential cross-boarder issues relating to EMIR. The first working group meeting is scheduled on August 1.

REGULATORY/DOCUMENTATION

ISDA and Markit hosted a [webinar](#) for Asian members on July 25 regarding the Dodd-Frank Protocol (the “Protocol”) and its relevance to Asian institutions. The [presentation](#) covers the structure of the Protocol, implementation, timing and the process for ISDA member participation, and explain which parts of the Protocol will be relevant to Asian institutions in light of the CFTC’s Proposed Interpretive Guidance on Cross-Border Application of the Swaps Provisions of the Dodd-Frank Act released on June 29.

RISK MANAGEMENT: Contact Tomoko Morita (tmorita@isda.org)

On July 13, a meeting of Japan Risk Management Working Group was held to share the views on CVA/DVA management and the challenges for introducing CVA/DVA in Japanese market. Members, including both Japanese and non-Japanese institutions, discussed 1) implementation of CVA in light of Base III and accounting standards, 2) how to reflect CVA management in firms’ internal risk management framework, and 3) how to build a mechanism and organization for CVA risk management, e.g. system, personnel, communications between departments, etc.

UPCOMING COMMITTEE AND WORKING GROUP MEETINGS / CONFERENCES

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| OTC Derivatives Regulations Working Group (Japanese language meeting) | August 1 |
| TRR Working Group (Japanese language meeting) | August 1 |
| Collateral Committee (Japanese language meeting) | tbd |
| Weather, Commodities and Developing Products Committee (Japanese language meeting) | tbd |