

# ISDA® JAPAN MONTHLY UPDATE

*August 2017*

## COMMITTEE ACTIVITIES

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### *JPY Benchmark Working Group*

On August 28, ISDA locally hosted an in-person meeting participated in by members, where ISDA provided the brief summaries of the discussions held in the previous joint calls under the ISDA USD/EUR/GBP/CHF Benchmark Working Group and the APAC Benchmark Working Group.

Members continue to discuss the issues with setting TIBOR as a fallback for JPY LIBOR, and shared concerns with such fallback especially when the risk-free rates have been considered as fallbacks for USD and GBP LIBOR. Members agreed to consider technical feasibilities for setting a fallback based on JPY risk-free rate or TONA, which is in line with other major currencies while keeping the TIBOR as an option for a fallback for JPY LIBOR.

### *Japan Trust Bank's Fund Account Sub-Working Group*

On August 23, ISDA held a meeting to follow up with the issues discussed in the previous meeting in July, that are 1) how the members can reach a consensus of having each of the Japanese Trust Bank's Fund Accounts categorized into FCs or NFCs under EMIR, and 2) current status for Japanese Trust Banks' Fund Accounts obtaining the LEIs.

For the first agenda, Japanese Trust Banks' Fund Accounts are broadly categorized into two types – investment trust funds and non-investment trust funds. For the former, it was agreed that core members including co-chair of the SWG would consider the work schedule, guidelines for determining FC and NFC, and guidelines for determining a hedging purpose or not, targeting to finalize them by September 11. For the latter, members agreed to put the decision on FC or NFC on hold as this SWG until the EMIR review would be finalized by EU regulators. (NB: The agreement by the SWG does not oblige participating firms to take any actions on the issues discussed at the meeting.)

For the second agenda on LEI, members agreed to continue outreach to investment managers including pension funds. Members also agreed to take necessary actions based on the understanding that LEI is necessary for each fund from the perspective of MiFID II/MiFIR.

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### *Thomson Reuters FXFIX, FXCLOSE and FXFIX 30 min Update:*

On August 10, 18, and 23, ISDA circulated the memo bringing the Japanese members up to date with the points relating to the contractual impacts due to the scheduled discontinuation of the relevant FX rates, discussed in the ISDA global working group meetings during August 2017.

With regards to the discontinuation of the FX spot rates published on the FXFIX, FXCLOSE and FXFIX 30 minute Thomson Reuters Pages and RICs effective 8th September 2017, the proposed changes to the MTM Matrix, the "REUTERS EBS SPOT FX FIXINGS" definition and the Revised Asian Currency NDS Standard Terms Supplement were highlighted in there, based on the consensus view of those relevant ISDA global working groups is to replace references to FXFIX in the "REUTERS EBS SPOT FX FIXINGS" definition (2006 ISDA Definitions and the Revised Asian Currency NDS Standard Terms Supplement) and in the MTM Matrix with the WM/Reuters Intraday Spot Rate published as of 11am London time.

## UPCOMING COMMITTEE AND WORKING GROUP MEETINGS / CONFERENCES

***JPY Benchmark Fallback Working Group***

*(Japanese language meeting)*

**September 11, 25**

***Japan Trust Bank's Fund Account Sub-Working Group***

*(Japanese language meeting)*

**TBD**