

ISDA® JAPAN MONTHLY UPDATE

June 2015

COMMITTEE ACTIVITIES

REGULATORY: Contact: Tomoko Morita (tmorita@isda.org) / Kaori Horaguchi (khoraguchi@isda.org)

Data and Reporting Japan Trade Repository Reporting Working Group

On June 9, ISDA along with DTCC Data Repository (Japan) K.K. ("DDRJ") had a meeting with the JFSA, where ISDA reported findings of the working group discussions with member firms held in the second half of May. Discussion was focused on unique identifiers which include LEI, UTI, and UPI, and current industry stances with a level of readiness and constraints before each of those unique identifiers has a chance to be adopted under reporting regime in Japan that were shared with them.

Electronic Trading Platforms (ETPs)

On June 29, ISDA submitted comments to the draft of the Notice that specifies the types of interest rate derivatives that are required to be traded on the Electronic Trading Platforms (ETPs).

ISDA's comments include the followings:

- Clarification of a packaged trade, which is exempt from the requirements, and is defined as one of the counterparties put in an order for multiple and different transactions that are to be executed at a time, e.g. whether spreads, butterflies or delta hedge trades for interest rate swaption falls in this definition.
- Clarification that trades with odd maturity dates, such as 5 year and 2 dates or 9 years and 363 days, are exempt from the requirements
- Clarification that interest rate swaps that fall in the scope but traded with upfront fees are exempt from the requirements.
- Treatment of trades that would not contribute to price making of the market, such as cancellation, novation, swaps generated from swaptions, or replacement trades of portfolio compression.

The Notice will come into forth on September 1, 2015 after being finalized.

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Japan WGMR Implementation Working Group

On June 2, ISDA hosted a call for Japan WGMR Implementation Working Group and other Asian based members to update members on the recent legal and documentation work regarding WGMR implementation. On June 4, ISDA hosted another call on work being done in relation to margin and collateral processing, portfolio Integrity and dispute resolution.

On June 5, ISDA circulated the draft of self-disclosure letter in which the section on Japan has been added. The purpose of the self-disclosure letter is to provide market participants with an industry standard means of exchanging the information that will likely be necessary to determine which national margin regulations apply to any pair of counterparties. Members were requested to submit their comments by June 19.

On June 18, revised draft of Japanese Law VM CSA was circulated to the Japan WGMR Implementation WG members. The comments were requested by June 26.

IM Segregation Working Group

On June 15, IM Segregation Working Group was held to discuss the following topics:

1) Documentation

Members discussed documentations that need to be reviewed/drafted to comply with the upcoming margin requirements, which include 1) custody agreements, 2) account control agreements (ACA), 3) trust agreements, 4) New CSA for regulated IM (NY Law, UK Law and Japanese Law versions), 5) New CSA for unregulated IM and 6) New CSA for regulated VM.

Members also discussed the draft of trust agreement developed by Japanese trust banks. It will continue to be discussed in the next Working Group meeting, and it is a little behind the original schedule, but as soon as members agree on the revised draft, it will be circulated to the broader members (i.e. Japan Collateral Committee and Japan Documentation Committee)

2) Update from operations sub-working group.

Updated the collateral management flows and processes on the event of default of custodians or sub-custodians that have been reviewed by operations sub-working group members.

UPCOMING COMMITTEE AND WORKING GROUP MEETINGS / CONFERENCES

IM Segregation Working Group

(Japanese language meeting)

July 9

Trust Banks' Fund Account Sub-Working Group

(Japanese language meeting)

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