

ISDA® JAPAN MONTHLY UPDATE

April 2016

COMMITTEE ACTIVITIES

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

Collateral Working Group

On April 19, the Collateral Operations Sub-group meeting was held to discuss the current T+1 issue for Margin regulation, to exchange views, and to share timely information among 30 plus member attendees.

The meeting discussion went on covering the various topics that involve the operational constraints due to the tight schedule in the overall collateral management and its settlement procedure as assessed by each firm, the realities in functioning their Asian hubs (if any) for the EOD batch processing, potential issues that would lie with the other side of the counterparties say, located in EU / US who would simultaneously need to take note of the symmetry consideration of collateral transfer timing per eligible collateral, just like we in Japan / APAC who do proceed it on our end, and so on.

Issues discussed at the Working Group were shared with JFSA at the meeting on April 26.

IM Segregation Working Group

On April 21, the IM Segregation Working Group meeting was held to discuss the following areas:

1. An update from the Collateral Operations Sub-group meeting held on April 19 was provided, where the various level of the firm attendees representing the operations/ settlement back office functions were proactively participating in the round-table discussion about the T+1 settlement cutoff issue for Margin regulation as to how feasible it has been perceived at each firm.
2. The progress update on the documentation work for the required documents including the Trust Agreement and its English version was given.
3. Succeeding to the previous rounds, latest updates on Industry Impact due to Negative Interest Rates policy conditions that might more or less affect further the final Trust Agreement and other supporting documents were provided.

Annual Survey of Collateral use in OTC derivatives in the Japanese market

The detailed results of an annual survey of Collateral use in OTC derivatives in the Japanese market, which were participated by 20 institutions including Japanese and non-Japanese financial institutions, were distributed to the Japan Collateral Committee on April 19. The results showed the 17% increase from the previous year in the number of collateral agreements for non-cleared OTC derivatives transactions in Japanese market. Also, respondents expect more CSAs executed in 2016, and increased number of staff in collateral management as well as documentation. With regards to negative interest on collateral, 13 respondents apply to their collateral, while 1 respondent applied in the previous year's survey.

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

A Survey of the Regulatory Impact on OTC Derivatives Market in Japan

The results of the survey regarding changes of organizational structures following implementation of OTC derivatives regulations were distributed to the respondents. Survey asked How OTC Derivatives Regulations, such as clearing, trading mandate or margin for non-cleared derivatives affected (or will affect) firms' operations in Japan, and the implementations of such regulations affected on location of trade execution, location of booking, location of operations and standard for selecting counterparties. 24 firms, 14 Japanese, 5 US and 5 European financial institutions, have responded to the survey..

UPCOMING COMMITTEE AND WORKING GROUP MEETINGS / CONFERENCES

IM Segregation Working Group – Legal Users Sub-Working Group (Japanese language meeting)	May 10
IM Segregation Working Group (Japanese language meeting)	May 18
Understanding the ISDA Master Agreements Conference (Japanese language conference)	June 28
Understanding Collateral Arrangements and the ISDA Credit Support Documents (Japanese language conference)	June 29