

ISDA® JAPAN MONTHLY UPDATE

October 2016

COMMITTEE ACTIVITIES

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

Substituted Compliance

On October 21, JFSA published [a final framework and responses to public comments](#) (Japanese only) for covered entities to exchange initial and variation margin in accordance with foreign regulations. As a result of discussions with foreign authorities, the JFSA determined that the margin regulations under the jurisdictions of the US Commodity Futures Trading Commission (CFTC) and the Office of the Superintendent of Financial Institutions (OSFI) in Canada are equivalent to Japanese regulations.

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Resolution Stay

On October 21, the first draft of ISDA Japan Jurisdictional Module to the ISDA Resolution Stay Jurisdictional Modular Protocol were prepared and circulated to the Jurisdictional Modular Resolution Stay Protocol Working Group as well as the Japan Module Working group for comments. The member call with external counsels was held to review the draft and responses to members' questions on the draft Module on October 31.

Benchmark

ISDA formed three new working groups to address risks in derivatives contracts of permanent discontinuation of LIBOR, EURIBOR or TIBOR in USD, GBP, EUR, CHF or JPY (as applicable). The working groups will work closely together but will be split by geographical regions as the USD Benchmark Fallbacks Working Group, the GBP/EUR/CHF Benchmark Fallbacks Working Group and the JPY Benchmark Fallbacks Working Group.

Per the request of the FSB and national regulators, the new working groups will address the following:

- Selection of a fallback rate, or if determined necessary, fallback rates, that would apply for each of the "IBORs" in the currencies listed above (as applicable) in the unlikely event that the applicable "IBOR" is suddenly and permanently discontinued. As noted in ISDA's response letter to the FSB, we expect that the initial fallback should be a fallback selected by the groups working with the FSB OSSG to develop alternative rates in the relevant currencies.
- Amendments to ISDA's 2006 Definitions to add selected fallbacks.
- Development of a plan to amend legacy contracts referencing the applicable "IBORs" to include the amended definitions, including potential development of a protocol mechanism to facilitate multilateral amendments.

The target for completing the work described above is third quarter 2017.

GLEIF Seminar

On October 24, there was an event organized by GLEIF at Tokyo Stock Exchange offering some facilitation

on the Global LEI System (GLEIS), in which the ISDA working group members voluntarily participated, to obtain the regulatory update on the LEIs which can currently be used for data reporting and other regulatory purposes in the various jurisdictions.

UPCOMING COMMITTEE AND WORKING GROUP MEETINGS / CONFERENCES

<i>Japan Trust Bank's Fund Account Sub-Working Group</i> (Japanese language meeting)	November 11
<i>JPY Benchmark Fallback Working Group</i> (Japanese language meeting)	November 21
<i>OTC Derivatives Regulations Working Group</i> (Japanese language meeting)	tbd