

ISDA® JAPAN MONTHLY UPDATE

May 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 May 22, ISDA held an in-person meeting with members and DDRJ around, and to exchange members' views on the results of the two questionnaire surveys on "ISDA data paper – Improving Regulatory Transparency: Key Principles for Standardizing, Aggregating and Sharing Data Across Borders in particular implementation of unique identifiers" and "ISDA OTC Taxonomy v2.0 posted for public comment" both conducted in March this year.

A full version of the paper is available on the [ISDA website's Data & Reporting section under 'Reporting'](#) Link to the D&R UPI and Taxonomies page:

<http://www2.isda.org/functional-areas/technology-infrastructure/data-and-reporting/identifiers/upi-and-taxonomies/>

Throughout the Q&A session and the information sharing among members and DDRJ, a variety of pros and cons of implementation of either of the unique identifiers that are currently available in the market were discussed, based on the perception/ approach to be taken by each firm.

Electronic Trading Platforms (ETPs)

As agreed in the OTC Derivatives Regulations Working Group, ISDA has published the Confirmation on Mandatory OTC Derivatives Trading on Electronic Trading Platform ("Confirmation") and the Request regarding Mandatory OTC Derivatives Trading on Electronic Trading Platform which summarizes why the Confirmation is required and who is requested to submit the Confirmation. (Please visit [ISDA's website](#) for details.) On May 12, E-mail request was sent to financial institutions that have registered to JFSA for holding outstanding notional of 1 trillion JPY and over. The received Confirmations are to be posted on [ISDA's website](#).

On May 29, [JFSA published 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).

Trades specified in the draft Notice are the one satisfies all of the bellows:

- Trades that are clearable at Japan Securities Clearing Corporation (JSCC)
- Not a packaged trade
- Floating Rate index is JPY 6 Month LIBOR
- Fixed notional throughout the maturity, as agreed by counterparties
- Effective date is T+2 from the trade date
- Swap tenor is 5, 7 or 10 years
- With respect to interest rate payment and fixing date, Business Day is specified as Tokyo and London
- Business Day Convention is specified as "Modified Following" or "Modified"
- For Fixed Leg, the payment frequency is 6 months, and Day Count Convention is Actual/365
- For Floating Leg, the payment frequency is 6 months, and Day Count Convention is Actual/360.

Members were asked to submit comments on the draft Notice to ISDA by June 15. The deadline to submit

comments to JFSA is on June 29. The Notice will come into forth on September 1, 2015 after being finalized.

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

IM Segregation Working Group

On May 13, IM Segregation Working Group was held to discuss the following topics:

- 1) The meeting with JFSA on April 30.
ISDA met with JFSA to update the state of play regarding segregation mechanism using Japanese trust account, including the draft agreement template developed by Japanese trust banks, cash management of the trust account, and accounting treatment. Members also updated the operational flows and estimated timelines using trust accounts and potential issues in cross-border transactions.
- 2) First draft of trust agreement developed by Japanese trust banks.
Members discussed the proposed draft of the trust account agreement, especially from user's (dealer's) perspective. It was agreed to circulate the draft template to the broader members (i.e. Japan Collateral Committee and Japan Documentation Committee) for their review in June.

UPCOMING COMMITTEE AND WORKING GROUP MEETINGS / CONFERENCES

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| IM Segregation Working Group (Japanese language meeting) | June 15 |
| Trust Banks' Fund Account Sub-Working Group (Japanese language meeting) | tbd |
| Understanding the ISDA Master Agreements Conference Including an Overview of the Regulatory Changes to ISDA Documentation (Japanese language conference) | June 22 |
| Understanding Collateral Arrangements and the ISDA Credit Support Documents Conference (Japanese language conference) | June 23 |