

ISDA® JAPAN MONTHLY UPDATE

June 2014

COMMITTEE ACTIVITIES

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

On June 20, the Financial Services Agency (FSA) finalized the [Cabinet Ordinance](#) and [supplementary provisions](#) and [the Notice](#) (Japanese only) which set out the rules for Phase 2 of mandatory clearing. They also published the [responses to public comments](#) (Japanese only), mostly clarifications of the requirements.

An outline of the new rules:

- Transactions between the Financial Instruments Business Operators (FIBOs) above clearing thresholds are required to be cleared through licensed CCPs, which are set by an average of monthly notional outstanding of the previous fiscal year. From December 1, 2014, FIBOs that have notional outstanding above JPY 1 trillion notional outstanding, and from December 1, 2015, above 300 billion become subject to the rules;
- Transactions with entities, which are not subject to the reporting requirements (e.g. insurance companies), are exempted from the rules. Transactions within the same group are also exempted;
- Registration requirements are newly introduced for FIBOs that have average outstanding over JPY 300 billion from December 1, 2014. The list of registered entities will be published by the FSA;
- 3M TIBOR Interest Rate Swaps (up to 5 year maturity) and 6M TIBOR Interest Rate Swaps (up to 10 year maturity) denominated in Japanese Yen will be newly required to clear effective from July 1.

Documentation

In light of the launch of client clearing services at Japan Securities Clearing Corporation (JSCC), members started discussions to clarify issues when ISDA/FIA Europe Cleared Derivatives Execution Agreement is used by Japanese market participants in negotiating execution-related agreements with counterparties to swaps that are intended to be cleared through the JSCC. The list of issues was circulated to members for comments on June 27.

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AIFUL Corporation

On June 23, ISDA published the Resolution in relation to the AIFUL Corporation potential Restructuring Credit Event and can be accessed at: <http://dc.isda.org/cds/aiful-corporation-5/>

The DC agreed that there was sufficient Publicly Available Information to satisfy the requirements of Section 2.1(b) of the DC Rules but that there was not sufficient information to determine the DC Question. DC members voted to extend the deadline for holding a binding vote on the DC Question.

The discussions will continue to take place early in July.

LIBOR Definitions Update: Contact: Tomoko Morita (tmorita@isda.org) / Kaori Horaguchi (khoraguchi@isda.org)

The LIBOR benchmark administrator is now being ICE Benchmark Administration Ltd ("IBA") and the new commercial model introduced by IBA who will represent the primary source of the LIBOR rates with effective

July 2014. ISDA was suggesting earlier June 2014 that due to that change each of the LIBOR rates defined in the 2006 Definitions should be reviewed and updated / new rate definitions published, and proposing the draft sample wording.

After having a series of discussions with RIG members and feedbacks to the meeting point received globally, the appropriate action appeared to be to leave the LIBOR definitions unchanged for the time being until there is further clarity around the way the market will source rates going forward including the timing when the IBA infrastructure set up is ready, so that unnecessary disruption for market participants can be avoided.

UPCOMING COMMITTEE AND WORKING GROUP MEETINGS / CONFERENCES

Japan Accounting Committee

(Japanese and English language meeting)

July 16

Japan OTC Derivatives Working Group

(Japanese language meeting)

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