

Summary Results of Annual Survey of Collateral Use in OTC Derivatives in the Japanese Market (ISDA Japan Annual Collateral Survey)

May 2012

ISDA first conducted the ISDA Japan Annual Collateral Survey in 2003. It is aimed at producing useful information to track local market practices, like the state of collateral use and management among derivatives dealers and end-users. The following are the summary results of the 2012 ISDA Japan Annual Collateral Survey, part of which includes the results of past Surveys. (NB: The Survey does not adjust for double counting.)

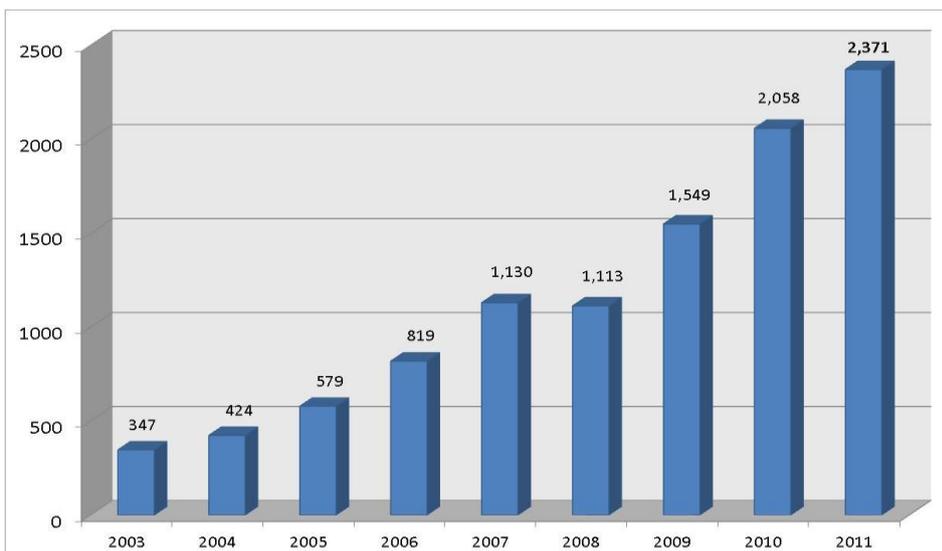
1. Profile of Firms responding to 2012 ISDA Japan Annual Collateral Survey

A total of 21 firms responded to the 2012 Survey; 20 of those firms participated in last year's Survey as well. The total included 16 Japanese and 5 non-Japanese financial institutions / 13 dealers and 8 non-dealers. Non-Japanese institutions reported the data either of the Tokyo branches or Japanese subsidiaries. We also classified the respondents by the number of collateral agreements executed; among 21 firms, 11 firms have less than 100 agreements, 7 firms have between 100 and 300, and 3 firms have more than 300 agreements.

2. Collateral Agreements

(a) Number of Collateral Agreements in Use (as of 2003 YE to 2011 YE)

The chart below shows the number of active collateral agreements in place as of each YE (end of December in each year) that do not include non-ISDA agreements. 89% of the collateral agreements in use were ISDA agreements in the 2012 Survey. Respondents, in average, expect that 14 agreements will be added by 2012 YE.



(b) Type of Collateral Agreements

The Survey also collects the data on the type of collateral agreements in use as of 2011 YE. The following table shows the composition of collateral agreements in number and percentage. 47% of the total number of agreements are Japanese Annexes (1995/2008), with the UK Annex second (20%). Respondents also use the NY Annex and UK Annex, incorporating Recommended Amendment Provisions for Japanese Collateral / Japanese Party, which are available in the annexes of ISDA Collateral Opinion for Japan.

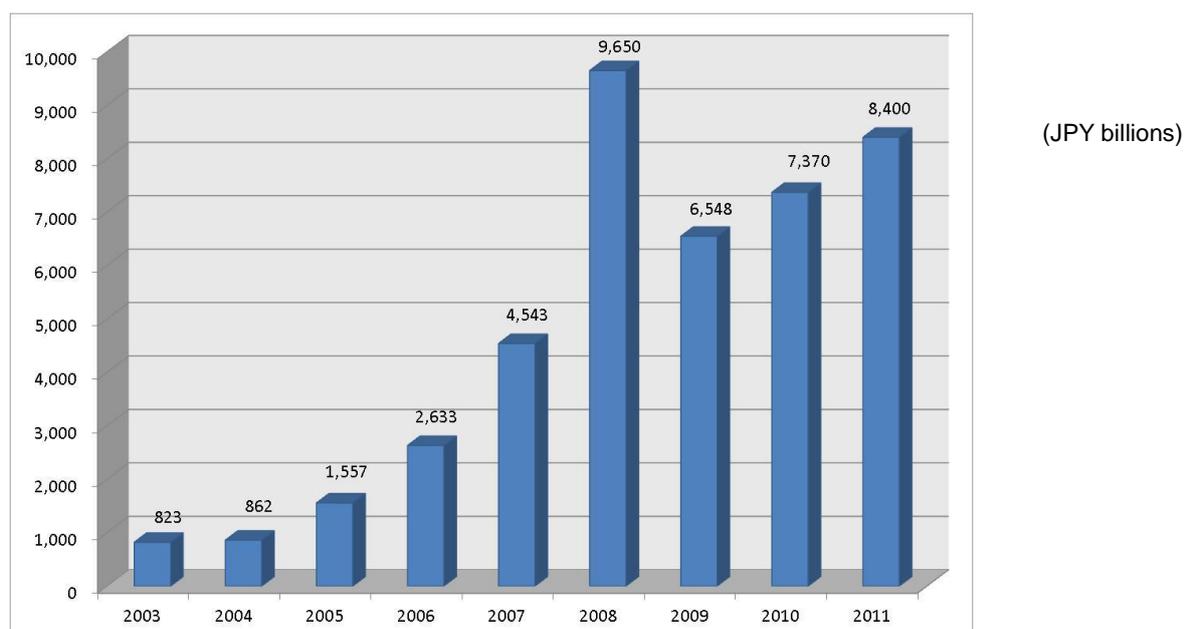
Type of Collateral Agreements	Numbers	Percent
1994 ISDA Credit Support Annex New York Law (NY Annex)	158	6
1995 ISDA Credit Support Annex English Law (UK Annex)	544	20
1995 ISDA Credit Support Annex English Deed	1	0
1995/2008 ISDA Credit Support Annex Japanese Law	1,240	47
2001 ISDA Margin Provisions	0	0
NY Annex with modification for Japanese Party/Collateral	128	5
UK Annex with modification for Japanese Party/Collateral	300	11
Others	290	11
Total	2,661	100

* "Others" includes non-ISDA agreements, such as bespoke margin agreements in Japanese.

3. Collateral in Circulation

(a) Total Amount of Collateral Value Received and Delivered

The following chart shows historical data of the aggregate value of collateral received and delivered outstanding as of each YE. Value of non-Japanese collateral was converted into Japanese Yen at TTM on December 30, 2011.



(b) Value of Collateral Received and Delivered

The Survey also asked the type of collateral assets in use. The following table shows the composition of outstanding collateral that was received and delivered as of 2011 YE.

(JPY in billion)

Type of Collateral Assets		Received	Percent	Delivered	Percent
Cash	USD	434	12.4	505	10.3
	JPY	1,438	41.1	1,880	38.4
	EUR/GBP	1.2	0.03	2.5	0.1
	Sub total	1,873	53.5	2,388	48.7
Bonds	US Treasury	114	3.2	5.5	0.1
	JGB	1,140	32.6	2,483	50.7
	Corporate Bonds	195	5.6	1.6	0.03
	Sub total	1,449	41.4	2,490	50.8
Equities		105	3.0	0	0.0
	Sub total	105	3.0	0	0.0
Others		71	2.0	23	0.5
	Sub total	71	2.0	23	0.5
Total		3,499	100.0	4,901	100.0

4. Collateral Management and Industry Initiatives

(a) Changes to Collateral Documentation and Management after the Financial Crisis

The Survey asked respondents if there were any changes in their collateral management and/or variables in collateral agreements that were made after the financial crisis in 2008. The following table summarizes the responses on changes that respondents made or will make in the near term.

(In Percentage)

	Implemented	Will implement shortly	Total
Set Zero or smaller Threshold Amount	95	5	100
Increase frequency of margin calls in documentations	62	24	86
Set Zero or smaller Minimum Transfer Amount	71	5	76
Perform regular portfolio reconciliations	57	14	71
Increase automation in collateral management process	38	29	67
Increase the number of add-hoc calls to counterparties	43	5	48
Shorten settlement cycle of collateral assets	19	10	29

(b) Frequency of portfolio reconciliation

Respondents were also asked what percentage of trades were reconciled at specific intervals (e.g. daily, monthly, or other). The following table shows the summary of responses to the question.

Frequency	Percent
Daily	11
Weekly	15
Monthly	4
Quarterly	4
At odd intervals	16
When disputes occur	37
Not performed at all	11
Others	2
Total	100

(c) Standard CSA

The Survey asked the current status of consideration toward implementing Standard CSA (SCSA). The following table summarizes the responses by number of respondents as well as percentage.

	Number of respondents	Percent
Will adopt SCSA	7	33.3
Under consideration toward adopting SCSA	11	52.4
Under consideration toward not adopting SCSA	1	4.8
Will not adopt SCSA	0	0
Not yet considered/Do not know	2	9.5
Total	21	100