

ISDA® JAPAN MONTHLY UPDATE

May, 2011

COMMITTEE ACTIVITIES

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

On May 11, Collateral Committee was held in which members were provided with the updates on global initiatives as to collateral management, including the drafts of 2011 Convention on Portfolio Reconciliation and the Investigation of Disputed Margin Calls and 2011 Formal Market Polling Procedure, ISDA's response to the CFTC proposal for portfolio reconciliation, and the initiatives on standardization of ISDA CSA.

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 May 31. The results showed the continuous increase in the use of collateral for OTC derivatives transactions in Japanese market.

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

ISDA met with Chikahisa Sumi, Deputy Commissioner for International Affairs and Competitiveness at the Financial Services Agency of Japan (JFSA), and other senior officials on May 23 and 24, to discuss regulatory developments on infrastructure for OTC derivatives. Other issues included extraterritoriality, where a coordinated approach by national regulators is imperative. ISDA also met with Atsushi Miyauchi, Director-General, Financial System and Bank Examination Department at Bank of Japan, and shared views on CCPs.

ISDA had a meeting with the officials at the Ministry of Economy, Trade and Industry (METI) on May 23. The discussion topics included the commodity trade repository, for which the COSC is currently selecting service vendors. The repository will go live by the end of Q1 2012. Also discussed was the possibility of central clearing for commodity derivatives.

OTC Derivatives regulations / CCP Working Group

A working group was set up to discuss the extraterritoriality application of mandatory clearing under the Financial Instruments and Exchange Act (FIEL). The kickoff meeting was held on Wednesday, May 11.

RISK MANAGEMENT: Contact Tomoko Morita (tmorita@isda.org)

On May 31, a conference call was organized to provide an overview of ISDA's draft responses to the consultative report on the Principles for Financial Market Infrastructures published by CPSS/IOSCO on March 11.

CREDIT DERIVATIVES: Contact Kumi Namba (knamba@isda.org)

As part of continuous effort to promote accurate understanding of Credit Derivatives in Japan, ISDA's Japan Credit Research Working Group updated the Japanese language document "Frequently Asked Questions on Credit Derivatives" which the working group originally prepared in January 2009. The updated FAQ covers new topics such as auction settlement mechanics and credit CCP initiatives and it is available on the J-CDS website managed by the Tokyo Financial Exchange as well as in the "What are CDS?" section of Japan Securities Clearing Corporation's website.

Japan DC Determinations

On May 18, ISDA published Japan DC's decisions on Historical Succession Event questions for the following: 1) Japan Finance Corporation for Municipal Enterprises, 2) Kyowa Hakko Kogyo Co., Ltd., and 3) Kirin Pharma Company, Limited.

UPCOMING COMMITTEE AND WORKING GROUP MEETINGS / CONFERENCES

Understanding the ISDA Master Agreements Conference

6/16

Happo-en

(English and Japanese language conference)

OTC Derivatives/CCP Working Group

tbc

(Japanese language meeting)

NOTE

ISDA Japan Office has moved to the new location as of May 30, 2011.

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