

ISDA® JAPAN MONTHLY UPDATE

June 2013

COMMITTEE ACTIVITIES

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

On June 10, members met to discuss the [SEC's proposed rules for Cross-Border Security-Based Swap Activities](#). The comments from members encompassed a wide range of issues, such as the inconsistencies with CFTC rules, the treatment of "Mixed Swap", the definition of "U.S. Person" and "Transaction Conducted within the United States", *De Minimis* Calculation for Security-Based Swap Dealer Registration and Major Security-Based Swap Participants Registration, and substituted compliance. The preliminary comments were shared with Japan FSA for reference.

Members of Japan OTC Derivatives Regulatory Working Group submitted their comments on [the Canadian Securities Administrators \(CSA\) Consultation Paper on Derivatives: Registration](#), which were included in the [ISDA comment letter](#) submitted to the CSA on June 17. The comments from Japanese members included the followings:

- Concern about the negative impact by imposing duplicate regulations for foreign institutions doing business cross-border, which will be required to comply with multiple regulations that will put unnecessary burdens on internationally active firms. The closer coordination is necessary between international regulators to consider establishing international minimum risk management standards, avoid regulatory arbitrage, and mitigate systemic risk.
- In making a global assessment of regulatory reform, it should be considered whether to impose any requirement to register in Canada for a foreign market participant if and where the regulations in the participant's home jurisdiction, such as Japan, are deemed to achieve equivalent outcomes as the Canadian regulations.
- If foreign firms are deemed to be in the business of dealing or advising in the trading of derivatives are to be required to register in Canada, a threshold should be established.

Trust Bank's Fund Account Sub-Working Group:

On June 24, the meeting was held where members discuss the acquisition of CICI/LEI by a Japanese trust banks or a trust fund account responding to the recent discussions among regulators and the industry, legal and documentation issues when adhering to the March 2013 DF Protocol and delivering Questionnaires and regulatory issues in preparation for the effective date of STRD rules and the expiry of Final Exemptive Order of cross-border guidance of the DFA.

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

The detailed results of an annual survey of Collateral use in OTC derivatives in the Japanese market, which were participated by 22 institutions including Japanese and non-Japanese financial institutions, were distributed to the Japan Collateral Committee on June 24. The results showed the continuous increase in the use of collateral for OTC derivatives transactions in Japanese market.

EQUITY DERIVATIVES: Contact Kaori Horaguchi (khoraguchi@isda.org)

On June 20, ISDA circulated the members the memo drafted by Linklaters with an aim to fulfill some clarity on

the successor of the term of 'Exchange' if it currently being Osaka Stock Exchange (OSE) specified in the confirmations for the trades applied in the Section 1.25.(b) of the Definition, which is not covered in the Definition itself but shall affect with effective July 16, 2013 when the integration of the cash equity market of TSE and OSE is completed.

Publication of the memo will be scheduled at any later date.

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All Nippon Airways Successor issue

On June 24, ISDA published the resolution of Japan DC in relation to the Succession Event questions with respect to All Nippon Airways Co., Ltd.. The Resolution can be accessed at [here](#).

UPCOMING COMMITTEE AND WORKING GROUP MEETINGS / CONFERENCES

TRR Sub Working Group (Japanese language meeting)	July 9
Japan OTC Derivatives Working Group (Japanese language meeting)	tbc