

ISDA® JAPAN MONTHLY UPDATE

December 2016

COMMITTEE ACTIVITIES

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

Japan Trust Bank's Fund Account Sub-Working Group

On December 19, ISDA held a meeting within the members including the dealers, trust banks, investment managers to discuss documentation policies for the Japanese trust bank's fund accounts in connection with the JFSA's Supervisory Guidelines to deal when the margin rules are applied under the jurisdictions of EU, US, Japan, and/or cross-border reach.

Agenda topics of members' discussion included i) our work on the final draft template of bilateral VM CSA and MA schedules in order to comply with the JFSA's Supervisory Guidelines as well as the way of determining standard options for agreements that require members comments, ii) any level of impact on the firms based on no substituted compliance of US CFTC rule applying to the area of the JFSA's Supervisory Guidelines which could represent a large portion of the Japanese trust bank's fund accounts, and iii) issues related to collateral management operation flow readiness and any tactical solutions dealt by firms for information-sharing.

Drafting ISDA 2016 VM Protocol "Supplementary Questionnaire" that enables to add more options of setting Notification Time has currently been worked on. Once ready, it will be circulated to members.

JPY Benchmark Fallback Working Group

On December 5 and December 19, ISDA held the second / third round of JPY specific working group meetings within members to discuss issues on agenda.

Since all of three independent working groups i.e. JPY, USD, and GBP/EUR/CHF ISDA WG are supposed to be run in a harmonized manner for the progress wise including the preparation for the ISDA's responses covering all of three working groups comments to be reflected to the report to the FSB OSSG for its meeting on January 9, the latest updates from other two working group calls were acknowledged by JPY's working group members prior to entering its specific discussion about the potential JPY fallbacks and related issues.

Members productively exchanged their views and raised concerns during the meetings, and they were asked to provide any additional comments on the draft memorandum prior to be finalized and sent to the OSSG on December 21.

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

Resolution Stay

On December 16, ISDA circulated the pre-publication draft of the Japanese Jurisdictional Module to the ISDA Resolution Stay Jurisdictional Protocol for fatal flaw comments by December 28. The publication is expected in early January.

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

VM Big Bang

On December 1, ISDA met with JFSA to share the current status of negotiating/executing CSAs and the list of issues toward VM Big Bang, including the challenges arise from tight timeline to execute CSAs, clarification for settlement timing in the EMIR rule, challenges in dealing with trust funds' accounts as well as needs for substituted compliance.

UPCOMING COMMITTEE AND WORKING GROUP MEETINGS / CONFERENCES

<i>JPY Benchmark Fallback Working Group</i> (Japanese language meeting)	<i>January 16 / 30</i>
<i>New ISDA Documentation and Protocols: Getting Ready for Margining Understanding the Margin Requirements for Uncleared Swaps</i> (Japanese language conference)	<i>January 20</i>
<i>OTC Derivatives Regulations Working Group</i> (Japanese language meeting)	<i>tbd</i>
<i>Japan Trust Bank's Fund Account Sub-Working Group</i> (Japanese language meeting)	<i>tbd</i>