

ISDA® JAPAN MONTHLY UPDATE

September 2013

COMMITTEE ACTIVITIES

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

Margin Requirements for non-centrally cleared derivatives

On September 11, a session on a final framework for margin requirements for non-centrally cleared derivatives published by BSBC/IOSCO on September 2 was held. The FSA officials explained the outline of the framework and how it was changed from the second consultative paper. Active discussions and Q&A sessions were followed after the session. ISDA put gather the items that require further clarifications and shared with the JFSA officials.

Additionally, sub-group of Japan Collateral Committee discussed the final framework and next steps toward implementing in Japan. Members identified four areas to be considered at the next stage:

- 1) Scope of regulations: entities, jurisdictions, products, cross-border transactions and etc.
- 2) Issues relating to Initial Margin including the internal model and regulatory approval process
- 3) Segregation of Initial Margin, the bankruptcy remoteness, and legal issues arising from rehypothication of Initial Margin

OTC Derivatives Working Group

Members discussed the key issues toward mandating the client clearing in phase 2 of mandatory clearing, which include 1) feasibility (from the perspective of clearing members, CCP, and clients), 2) regulators' intention, and 3) consistencies with global regulations (i.e. Dodd-Frank and EMIR). These issues will be discussed in the upcoming meeting in October.

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

Discontinued Maturities Rates Protocol Updates

In light of the announcement given on July 10 by the European Banking Federation (EBF) that some of the maturities of EURIBOR will be discontinued as of November 1, 2013, a protocol setting has been agreed by the Rates Implementation Group, by following the guidance published earlier for LIBOR advising the use of linear interpolation for discontinued rates. This protocol is aimed to apply to rate discontinuations already announced and also any future rate discontinuations where some rates will remain, and it will therefore cover EURIBOR discontinuation.

Since the initial draft copy of the protocol was distributed to Japan members on August 8 requesting for the feedback, the pre-publication draft has now been circulated prior to its publication and opening for adherence expected on October 9, 2013.

The protocol shall override a prior amendment letter except for the Rates-MAA related trades (mainly in SGD referenced rates) so the protocol would override the LIBOR Amendment letter if it were entered into prior to the parties adhering to this protocol.

UPCOMING COMMITTEE AND WORKING GROUP MEETINGS / CONFERENCES

Collateral Committee (Japanese language meeting)	October 16
OTC Derivatives Working Group (Japanese language meeting)	October 22
Trust Funds' Account Sub-Working Group (Japanese language meeting)	TBC
2013 ISDA Annual Japan Conference Derivatives 2013: The Future Comes into Focus (English and Japanese language conference)	October 24
U.S. and European Swap Regulations Who They Apply to and How They Are Addressed by ISDA Protocols and ISDA Amend by Markit (English language symposium)	October 25