

ISDA® JAPAN MONTHLY UPDATE

March 2016

COMMITTEE ACTIVITIES

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

IM Segregation Working Group

On March 17, the IM Segregation Working Group meeting was held to discuss the following topic areas:

1. The Operational Sub Working Group presented the information summary outlining the Margin Call flow model in the use of the Triparty services for the custodian service contents compiled per job task, as the continuation of the explanation covered in the last time meeting session.
2. With regard to the ongoing T+1 issues, it has now been considered that it would be more effective to argue the T+1 issues not by sticking into making its range expanded but by having the solution in making T+1 itself work in a way that APAC (including Japan) participants can all agree.

There was also an update from the ISDA Japan Collateral Working Group meeting held on March 10 with an aim to exchange the views on T+1 issues re WGMR particularly from the perspectives of the expertise of industry operational workflows.

3. There was a status update from the documentation related members about the timeline of finalization of the Trust Agreement template is still dependent on how much of material changes would need to be reflected in there based on the several various pending issues e.g. the dialogues with the regulators, the impacted negative interest rates, tax treatment.

Final rules for non-cleared margin rules

On March 31, the FSA published final rules for non-cleared derivatives margin rules (Japanese only) to the Cabinet Ordinance and Supervisory Guidelines implementing margin rules for non-cleared derivatives, as well as their responses to comments (Japanese only) submitted to the second draft in January 2016. There have not been significant changes from the second draft.

The rules will become effective on September 1, 2016. IM will be implemented in phases setting thresholds in aggregate notional outstanding amount, starting from 2016 (over 420 JPY trillion) to 2021 (over JPY 1.1 trillion). VM will be implemented on September 1, 2016 (over JPY 420 trillion) and on March 1, 2017 (JPY 420 trillion and less).

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

On March 9, the Documentation Committee meeting was held to discuss the current issues related to documentation focusing on an industry impact of incorporating with the negative interest rate conditions based on the respective member's approach, by sharing the operational and contractual constraints or concerns raised by the firms.

Members also exchanged their views of establishing the future direction with a useful solution as consensus opinion among the member firms.

UPCOMING COMMITTEE AND WORKING GROUP MEETINGS / CONFERENCES

Margin for Uncleared Swaps - Regulations and Documentation (English language Symposium)	April 12
ISDA 31st Annual General Meeting – Tokyo ANA InterContinental Hotel	April 12 - 14
Japan Collateral Working Group (Japanese language meeting)	April 19
IM Segregation Working Group – Legal Users Sub-Working Group (Japanese language meeting)	April 20
IM Segregation Working Group (Japanese language meeting)	April 21