

ISDA® JAPAN MONTHLY UPDATE

August 2016

COMMITTEE ACTIVITIES

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

IM Segregation Working Group

On August 19, the IM Segregation Working Group meeting was held to discuss the several agenda topics. Firstly there was an update provided on the [ISDA/SIFMA joint letter](#) sent out dated August 15, 2016, requesting US regulators for 30 Day Delay of Swap Margin Requirements to the September 1, 2016, outlining the discussion background and readiness detail (with some additional concrete data survey results) set out in the letter.

Secondly, the members discussed the latest progress on the documentation work of Trust Agreement template and the Legal Opinion Letter, confirming the finalization and publication arrangement of both of those documents have been ready now with full authority of Trust Companies Association of Japan, at the last minute prior to the mandated margin rules.

Credit Support Documentations

On August 2, ISDA sent an email notifying members that the Recommended Amendment Provisions for 2016 English Law and 2016 NY law VM CSA with respect to Japanese Party which had been published on July 31 and now available in the [Credit Support Documentation section](#) of ISDA bookstore.

On August 10, ISDA sent an email notifying members that Amendment Provisions for the ISDA English Law 2016 Phase One IM CSD and Amendment Provisions for the ISDA New York Law 2016 Phase One IM CSA with respect to Japanese Securities (the “Japanese collateral annex”) being published and now available in the [Credit Support Documentation section](#) of ISDA bookstore.

On August 18, ISDA sent an email notifying members that the Recommended Amendment Provisions for the ISDA Euroclear Collateral Transfer Agreement and Security Agreement being published and now available in the [Credit Support Documentation section](#) of ISDA bookstore.

On August 24, ISDA sent an email notifying members that the ISDA 2016 Phase One Credit Support Annex for Initial Margin governed by Japanese Law and the Trust Scheme Addendum to be in a final form and will be available in the [Credit Support Documentation section](#) of ISDA bookstore shortly.

Commodity Derivatives

On August 2, ISDA disseminated the members that the Ministry of Agriculture, Forestry and Fisheries (MAFF) and the Ministry of Economy, Trade and Industry (METI) had published amendments to Ministerial Ordinance (Japanese only) on their own websites for the introduction of margin requirements for over-the-counter commodity derivatives. The rules are expected to become effective on September 1, 2016.

MAFF link: <http://www.maff.go.jp/j/shokusan/syoutori/dealing/280801kaisei.html>

METI link: <http://www.meti.go.jp/policy/commerce/f00/f0000003.html>

Also MAFF and METI jointly published [industry feedback received for proposed amendments to Ministerial Ordinance June 9 2016 along with their answers](#) (Japanese only) for the introduction of margin requirements for over-the-counter commodity derivatives.

Substituted Compliance

On August 12, the Japanese Financial Services Agency (JFSA) published a draft proposal (Japanese only) on a framework allowing covered entities to exchange initial and variation margin in accordance with foreign regulations. This framework is assumed to be applicable to non-cleared OTC derivatives in all cases of domestic transactions, cross-border transactions and offshore transactions. Jurisdictions or regulations that are subject to the framework will be determined later when the equivalence determinations of other jurisdictions are finalized. ISDA submitted its comments to JFSA on August 18.

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

Resolution Stay

On August 8, the JFSA finalized [new regulations](#) to include stay provisions in certain financial contracts, as well as [the JFSA's responses to the comments](#) received through public consultation (Japanese only). The regulations require financial institutions at the group level to take necessary actions to apply stays to certain transactions (OTC derivatives, financial derivatives, sales or purchases of securities on condition of repurchase or resale, lending and borrowing of securities, trading of bonds with options, forward foreign exchange transactions, OTC commodity derivatives transactions, etc) regardless of the jurisdiction in which the counterparty (except for central counterparties) is located. The regulations will come into effect on April 1, 2017. Japanese Jurisdictional Modules will be discussed in due course.

UPCOMING COMMITTEE AND WORKING GROUP MEETINGS / CONFERENCES

IM Segregation Working Group – Legal Users Sub-Working Group
(Japanese language meeting)

September 7

2016 ISDA Annual Japan Conference: The Future is Now: Implementing the Margin Rules for Non-cleared Swaps

The Ritz-Carlton, Tokyo

October 27

(English and Japanese language conference)

New ISDA Documentation and Protocols: Getting Ready for Margining Understanding the Margin Requirements for Uncleared Swaps

The Ritz-Carlton, Tokyo

October 28

(English and Japanese language conference)