

ISDA® JAPAN MONTHLY UPDATE

March 2017

COMMITTEE ACTIVITIES

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

VM Big Bang

On March 14, the JFSA issued a [memo](#) (Japanese only) regarding new variation margin rules on non-cleared derivatives, which came into force globally on March 1.

The JFSA asks all financial institutions to expend all possible means to comply with the requirements on variation margin, but recognises that it might be difficult to meet the rules when trading with counterparties that are domiciled in jurisdictions where margin requirements have not been implemented yet.

In these cases, as long as each financial institution takes appropriate measures to reduce counterparty risk in line with the purpose of the regulations, and makes continued efforts to satisfy the regulatory requirements, the JFSA will consider such a financial institution meets the requirements to establish an appropriate system under the margin requirements for the time being.

Financial institutions are required to take appropriate action to cope with residual risks related to corresponding transactions, such as managing exposures to their counterparties.

Summary table of regulatory transitional periods, relief and guidelines with respect to variation margin requirements effective March 1, 2017 is posted on ISDA's [ISDA WGMR Implementation Initiative page](#) for reference.

JPY Benchmark Fallback Working Group

On March 27, ISDA hosted the meeting among members, to mainly provide updates of the two latest joint calls held under the ISDA USD/GBP/EUR/CHF Benchmark Working Groups dated February 28 / March 14 respectively.

The agenda topic was rather focused on the area in terms of calculating a term structure spread for an overnight rate as being discussed under the latest call under the ISDA USD/GBP/EUR/CHF Benchmark Working Groups, from the different perspectives of drafting the matrix, approaching alternative fallbacks, calculating average spread calculation, data testing for spread calculation into phases requiring more volunteers, and so on.

DATA & REPORTING: Contact: Kaori Horaguchi (khoraguchi@isda.org)

On March 15, ISDA launched a series of global joint calls to be hosted on a biweekly basis going forward, focused on the following topic areas, to discuss among members any departures from existing market practice specified in the UTI Technical Guidance and FSB Consultation to promote globally consistent implementation:

1. CPMI-IOSCO Guidance on the Harmonisation of the UTI

On March 24, ISDA circulated the press information being released on March 3 linked through the JFSA's homepage, of the CPMI-IOSCO's [Technical Guidance for the Harmonisation of the Unique Transaction Identifier](#) requesting members to provide any substantive concerns or challenges with aligning with the recommendations, should global authorities and regulators adopt.

Global uniform UTIs facilitate the consistent global aggregation and analysis of OTC transaction data reported across TRs that authorities can use in service of their legal obligations and prudential requirements.

The report produces technical guidance to authorities on the definition, format and usage of the UTI that meets the needs of UTI users. The guidance is also global in scale, based on relevant international technical standards where applicable.

Following the 2014 feasibility study, the FSB asked the CPMI and IOSCO to develop global guidance on the harmonisation of data elements that are reported to trade repositories and that are important for the aggregation of data by authorities, including the UTI and Unique Product Identifiers (UPIs).

2. FSB Consultation on Proposed Governance Arrangements for the UTI

On March 24, ISDA circulated the press information being released on March 13 that the Financial Stability Board (FSB) had published on its website a [consultation](#) document on the [Proposed Governance Arrangements for the Unique Transaction Identifier \(UTI\)](#), responses due: May 5, 2017. The consultation sets out proposals for the governance arrangements for a global UTI, as a key harmonised identifier designed to facilitate effective aggregation of transaction reports about over-the-counter (OTC) derivatives markets.

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New DC members

On March 31, ISDA issued the press release announcing the results of this year's selection process for determining the membership of the Determinations Committees (DCs) for 2017. The DCs are responsible for determining whether a credit event has occurred in the credit derivatives market by comparing publicly available information to the legal conditions set out in the ISDA Credit Derivatives Definitions.

[DC rules](#) and the selected firms that will serve on the DCs with effective April 29, 2017 can be found on the Determinations Committee website: <http://dc.isda.org/>.

UPCOMING COMMITTEE AND WORKING GROUP MEETINGS / CONFERENCES

JPY Benchmark Fallback Working Group
(Japanese language meeting)

April 24

Overview & Implications of Final Basel Capital Rules
(English or Japanese language seminar)

April 12

Japan Collateral Working Group
(Japanese language meeting)

April 17

Japan Trust Bank's Fund Account Sub-Working Group
(Japanese language meeting)

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