

# ISDA® JAPAN MONTHLY UPDATE

July 2017

## COMMITTEE ACTIVITIES

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### *JPY Benchmark Working Group*

On July 3, 18 and 31, ISDA locally hosted the in-person meetings participated in by members, where ISDA provided the brief summaries of the discussions held in the previous joint calls under the ISDA USD/EUR/GBP/CHF Benchmark Working Group as well as an outline of the APAC Benchmark Working Group that was newly launched.

Based on the decisions of the previous meeting in June, members shared the progress or issues they identifies during the calculation of the spread for TIBOR-OIS and JPY LIBOR-OIS, in order to see the level of feasibility of a compounded overnight rate plus a spread as the fallback for Japanese yen interbank offered rates (IBORs) as well as the use of the Tokyo Interbank Offered Rate (TIBOR) as a fallback for the JPY LIBOR.

On July 31, the members were provided with the feedback points received from FSB OSSG on ISDA memo dated May 16, 2017 which were shared with ISDA staff.

Members also discussed the potential issues when selecting TIBOR as a fallback for JPY LIBOR and vice versa.

### *Japan Trust Bank's Fund Account Sub-Working Group*

On July 24, ISDA held a meeting to discuss issues around how the members can reach a consensus of having each of the Japanese Trust Bank's Fund Accounts categorized into FCs or NFCs under EMIR, on the basis of the types of trust fund contracts the Japanese Trust Banks offered to their clients, being affected by an European broker through the derivatives underneath.

There would be two factors on a broad scale to be considered: 1) In light of the fact that the forbearance period will end at cob August 2017, each member firm will bear in mind that the selection of being a FC and arrange a SDL for broker dealers, or 2) given the extendable product scope that include FX Swap & Forwards with January 2018 timeframe, each member firm shall then take into consideration the selection of being a NFC and start giving in-depth consideration to put necessary measures in place.

Members also discussed how much each firm had been contributing to the LEI outreach efforts so far and exchanged the views on it.

Mr. Watanabe served as Co-Chair of Trust Bank's Fund Account Sub-Working Group moved to Citibank recently where he would continuously assume the same role as before where he was at JP Morgan, which was officially approved.

### *Collateral Survey for Japanese market participants*

The detailed results of an annual survey of Collateral use in OTC derivatives in the Japanese market as of the end of March 2017 were distributed to the Japan Collateral Committee on July 31. The survey was

participated by 23 institutions including Japanese and non-Japanese financial institutions. The results showed the 14% increase from the end of 2015 in the number of collateral agreements for non-cleared OTC derivatives transactions in Japanese market. The amount of collateral in total (both received and delivered) increased by 23% from the previous survey. The number of firms which use electronic messaging platform for margin call partly or for all processes increased from 25% to 82%.

*ISDA and GFMA LEI FAQ Outreach document (Japanese Translation)*

Following the English document, on July 13, ISDA distributed its members the [Japanese Translation](#) document of the final publication version of the joint ISDA and GFMA LEI FAQ Outreach document that helps remind members and for their clients to obtain a Legal Entity Identifier ("LEI") in order to comply with MiFID II starting January 2018 within the timely manner.

## UPCOMING COMMITTEE AND WORKING GROUP MEETINGS / CONFERENCES

***JPY Benchmark Fallback Working Group***  
(Japanese language meeting)

**August 28**

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

**TBD**