

A. Status of Regulation

Question	Answer
<p>1. For each jurisdiction on which comment is being provided, please provide the name of the jurisdiction being commented upon.</p>	<p>1. Financial Services Agency (Government of Japan)</p>
<p>2. Does the jurisdiction have a legal definition of the term “swap”, “security-based swap”, or other similar term or terms (hereinafter referred to as a “Swap” or “Swaps”)? If so, please provide such definition(s).¹⁵</p> <p>¹⁵ These terms may include, but may not be limited to, OTC derivatives. The Dodd-Frank Act includes definitions of the terms “swap” and “security-based swap”.</p>	<p>2. Under our domestic legislative framework, there are separate definitions for “exchange-traded derivatives”, “OTC derivatives” and “foreign exchange-trades derivatives”. Of these, definitions for securities-related derivatives trades are listed under definitions concerning “securities related business”.</p>
<p>3. Are Swaps included within the scope of any statute, regulation, or other legal requirement in the jurisdiction?</p> <p>a. If not, is the jurisdiction planning to or considering whether to regulate, or to modify regulation of, Swaps?</p> <p>b. Please further describe the present status of regulatory efforts and the anticipated timeline for such efforts.</p>	<p>3. Derivatives trades are subject to either Financial Instruments and Exchange Act (FIEA) or Commodity Exchange Act (CEA).</p> <p>a. (not applicable)</p> <p>b. In addition to the OTC Derivatives trading regulations under existing FIEA, in May 2010, FIEA was amended to introduce mandatory central clearing and trade reporting requirements, and currently we are in the process of considering the details of Cabinet Office Ordinance in meeting the full implementation deadline in</p>

	November 2012.
4. What type of counterparty may enter into a Swap? Do any limitations apply?	4. Under FIEA, it is possible to trade derivatives regardless of whether the counterparty is a financial institution or commercial entity. However, it would be necessary to be registered as a financial instruments business operator (FIBO) to trade derivatives instruments in the course of trade under FIEA, and hence will be subject to business conduct rules.
5. Are certain types or classes of Swaps prohibited, or are certain entities prohibited from entering into certain types or classes of Swaps?	5. Under our domestic legislative framework, there are no provisions prohibiting a particular type or class of derivatives. Furthermore, there are no provisions to limit derivatives trades to certain class of participants.
6. If Swaps are regulated: a. Who determines which instruments, transactions, or agreements should be regulated as Swaps? b. Which Swaps, if any, are required to be executed on an organized market, on an electronic execution facility, or on any other type of market? c. Which Swaps, if any, are required to be cleared by a central counterparty and, for those required to be cleared, how are the trades of non-clearing participants clear? (16)	6. a. At present, derivatives trades are regulated by law, and therefore ultimately require a parliamentary approval for any changes. b. Currently there are no obligations for derivatives to be exchange traded. However, certain derivatives are currently traded at the exchange, and at present we are considering the plausibility of requiring exchange trading of OTC derivatives. c. We are currently considering the details (regulatory and legislative) of central clearing requirements for those derivatives

16 If applicable, how does the mandatory clearing requirement work, *e.g.*, who decides which Swaps are required to be cleared, what criteria are applied, does the requirement apply to existing Swaps or to those entered into at a certain point in time, are any entities exempt from the clearing requirement?

d. Which Swap transactions, if any, are required to be reported to a data repository or other entity, the public, or regulatory authorities?

e. Is regulatory oversight of the Swap market conducted by one single regulatory authority or divided among different regulatory authorities? If the latter, please identify each relevant regulatory authority and describe its responsibilities and jurisdiction.

f. How does the regulatory framework regulate potential systemic risk created by Swaps? Does it, for example, create a new oversight body or designate certain entities as systemically important?

g. Does the regulatory authority or regulatory authorities if more than one regulator has oversight responsibilities over the Swap market, have the ability to share information related to Swaps with domestic and foreign regulatory authorities?(17)

17 In particular, are there any legal or other barriers to the collection of information or to the sharing of information, *e.g.*, client confidentiality protection or data privacy safeguards?

h. How are cross-border Swap transactions regulated? Does the Swap regulatory framework apply to persons located outside of the jurisdiction doing business with persons located within the jurisdiction, and, more generally, to cross-border Swap activities?

that have significant trading volume and which would benefit from mandatory central clearing requirement to mitigate settlement risks in maintaining the stability of the markets (currently we contemplate including plain vanilla IRS), and for those derivatives which requires consistencies with the domestic bankruptcy law (currently we contemplate including iTraxx Japan CDX).

d. From the perspective of improving market transparency and ensuring that regulators can obtain necessary information, we are currently considering whether all trade information should be subject to trade reporting obligation.

e. Derivatives trading is mainly regulated by JFSA.

f. By requiring CCP central clearing activities to be authorized, and by requiring certain derivatives trades to be centrally cleared, systemic risks that may arise through derivatives trades are reduced.

g. N/A

h. For derivatives trades undertaken by FIBOs are subject to our domestic regulatory framework.

i. N/A

i. What enforcement authority exists over Swaps, and who may exercise such authority?	

B. Regulatory Requirements for Market Participants

<p>1. How does the regulatory framework address participants in the Swap market? What are the registration or licensing requirements for Swap-related dealers, market participants, intermediaries, or others (individually and collectively, “Participants”)?</p>	<p>1. In Japan, the Financial Instruments and Exchange Act (FIEA) stipulates requirements concerning registration, capital requirement and market conducts (concerning data storage and reporting requirement) for Type I Financial Instruments Business Operators and Registered Financial Institutions (collectively “FIBOs, etc.”) as major market participants, and these entities are regulated and supervised by Japan Financial Services Agency (JFSA). In addition, industrial commodity derivatives are regulated and supervised by Ministry of Economy, Trade and Industry (METI) and agricultural commodity derivatives are regulated and supervised by Ministry of Agriculture, Forest and Fishery (MAFF). Responses below only pertain to transactions and market participants (FIBOs, etc.) regulated and supervised by JFSA.</p> <p>Type I Financial Instruments Business Operators conduct any of the</p>
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	<p>following operations, which are stipulated in Article 28(I) of FIEA such as:</p> <ul style="list-style-type: none"> * Sale and purchase of Securities (excluding those falling under the category of Derivative Transactions; the same shall apply hereinafter), Market Transactions of Derivatives or Foreign Market Derivatives Transactions * Over-the-Counter Transactions of Derivatives or intermediary, brokerage (excluding Brokerage for Clearing of Securities, etc.) or agency service * Underwriting of Securities <p>There is no separate licensing regime for derivatives dealers, but in order to engage in derivatives business, a registration as a FIBOs, etc. is required under FIEA. In addition, financial institutions such as commercial banks may engage in certain types of derivatives business subject to registration as a registered financial institution (see FIEA Art. 28 and 33-2).</p>
<p>2. Are any types of Participants in the Swap market excluded or exempted from Swap-related registration or licensing requirements?</p>	<p>2. Unless the business of a participant falls under the definitions of FIBOs, etc, there is no registration requirement.</p>
<p>3. What is the process for updating, withdrawing, or terminating Swap-related registration or an exemption from Swap-related</p>	<p>3. JFSA may revoke the registration status of a FIBOs, etc. if JFSA determines that the aforementioned FIBOs, etc. no longer meets a</p>

<p>registration?</p>	<p>requirement, such as minimum capital or net assets as stipulated in FIEA Art. 52 and 52-2.</p>
<p>4. What are the Swap-related prudential regulatory requirements (e.g., capital, liquidity, margin, risk management, segregation, collateral)?</p>	<p>4. A Financial Instruments Business Operator shall keep the Capital-to-Risk Ratio at no less than 120 percent. The general framework of Capital-to-Risk Ratio is defined as the ratio of capital amount after the deduction of the total amount of fixed assets, etc to the total amount of risks, including market risk, counterparty risk and basic risk. FIBOs, etc. are required to hold a high level of liquid assets.</p> <p>< liquidity/ risk management ></p> <p>Moreover, FIBOs, etc. which engage in OTC derivatives transactions, are required to manage liquidity risk adequately under the JFSA supervisory guidelines.</p> <p>< margin ></p> <p>FIBOs, etc. which enter into FX derivatives (OTC and exchange) or securities-related OTC derivatives with retail customers are required to have customers post a certain amount of margin for such transactions under the FIEA (Art. 38, item 7 of the FIEA and Art. 117, para 1, item 27 of the cabinet office ordinance on financial instruments business, etc.).</p> <p>< segregation ></p>

	<p>FIBOs, etc. are required to segregate customers' assets posted by customers in relation to derivatives transaction from its their own assets under the FIEA. (Art. 43-2 and 43-3 of the FIEA)</p>
<p>5. What are the requirements related to insolvency or bankruptcy in regard to Participants?</p>	<p>5. For FIBOs, and for registered financial institutions, there are requirements concerning insolvency or bankruptcies.</p> <p>For FIBOs for example, the Prime Minister may order suspension of the operations, where deemed necessary and appropriate from the perspective of protecting the public interest or investors, if the Capital-to-Risk Ratio falls below 100%. In cases where the Prime Minister ordered the suspension of whole or part of its business under the provisions of the preceding paragraph, if he/she finds that the Capital-to-Risk Ratio of said FIOB is not likely to recover, he/she may rescind the registration.</p> <p>Furthermore, when FIBOs cease trade in financial instruments owing to insolvency or bankruptcy, they are required to swiftly terminate any derivatives contracts and also to return any client assets without delay.</p> <p>For registered financial institutions there are similar provisions under the Banking Act.</p>

<p>6. What are the Swap-related business conduct requirements (<i>e.g.</i>, interaction with counterparties, disclosure, supervision, reporting, recordkeeping, documentation, confirmation, valuation, conflicts of interest, avoidance of fraud and other abusive practices)?</p>	<p>6. FIEA requires FIBOs to store and to report OTC derivatives trades information.</p> <p>If FIBOs provide trade information to the TR, such requirements do not apply.</p> <p>Apart from this, for swap transaction related operation, basic operating requirements placed on financial institutions such as proper disclosure, reporting to the regulators, appropriate internal control system to avoid conflicts of interests, adherence to the fiduciary duty, are required to be met.</p>
<p>7. Do Participants have the ability to share information with domestic and/or foreign regulatory authorities?</p>	<p>7. Participants may share information through participant monitoring by the domestic regulators.</p>
<p>8. How are foreign Participants treated (<i>e.g.</i>, a special recognition category, an exclusion or an exemption from registration)?</p>	<p>8. Foreign corporate FIBOs and foreign securities traders who operate overseas may obtain the approval of the Prime Minister to trade market derivatives at financial instruments exchange (FIEA Art 49, 60(I))</p>

C. Regulatory Requirements for Organized Markets, Electronic Execution Facilities, and Other Types of Markets

<p>1. Does the regulatory framework include requirements for organized markets, electronic execution facilities, and/or other types of markets for Swaps (hereinafter referred to as “Markets”)?</p>	<p>1. When a FIBO intends to conduct sale and purchase of Securities or intermediary, brokerage or agency service which is conducted through an electronic data processing system in the course of trade, it shall obtain authorization from the Prime Minister(FIEA Art 30(I)). For entities that are not a member of an Authorized Financial Instruments Firms Association a licence needs to be obtained (FIEA Art 80(I)), and criteria for obtaining a licence as well as evaluation criteria are set out in the regulation.</p> <p>Also, regulations concerning electronic execution facilities are currently under consideration.</p>
<p>2. What are the registration or licensing requirements for such Markets?</p>	<p>2. For a financial instruments exchange, minimum capital is set at Y1 billion, and requires to be a body corporate with board of directors, board of auditors or an audit committee with external auditors (FIEA Art 83-2, FIEA Order for Enforcement 19). The following criteria is used during licensing application(FIEA Art 156-4(I)):</p> <p>① Whether the articles of incorporation, the Operational Rules and the Brokerage Contract Rules are compliant with the regulatory framework, and whether they enable fair and smooth trading of</p>

	<p>securities and exchange traded derivatives at the exchange, and an adequate provision exists to protect the investors.</p> <p>② Whether the licence applicant has adequate human resources to ensure proper operation of the financial exchange.</p> <p>③ Whether the licence applicant has an organization that meet the requirement set out in the FIEA.</p> <p>Furthermore, if the licence applicant or a member of its board are unable to meet the criteria, a licence will not be granted (FIEA Art 82 (I))</p>
<p>3. Are any Markets excluded or exempted from such registration or licensing requirements?</p>	<p>3. An Authorized Financial Instruments Firms Association that has been established following the approval by the Prime Minister may establish financial exchange without a licence (Art 67 (II) and 80 (I)).</p> <p>In all other circumstances, where a licence is required to be granted, there are no scope for exemption in any of the criteria.</p>
<p>4. What is the process for updating, withdrawing, or terminating such registration or exempting from such registration?</p>	<p>4. The Prime Minister may pursue appropriate course of action including the withdrawal of the licence if the financial exchange, following its infarction with the regulations, fails to take appropriate remedial steps, and where it is considered in the interests of the public or for investor protection (FIEA Art 152 (I)).</p>

	<p>Apart from the above, if a financial exchange decides to close subsequent to an approval by the shareholders, it requires an approval by the Prime Minister (Art 135-1 (1)).</p> <p>Also, if the decision to close the exchange is based on (1) the event that occurred as stipulated in the Articles of Memorandum, (2) the members of the exchange fell below 6, or (3) the closure was ordered by a court, then such request must be made to the Prime Minister without delay.</p> <p>There is no procedure to renew a licence or to exempt the requirement from obtaining a licence, as such provision does not exist.</p>
<p>5. What are the ongoing regulatory responsibilities of such Markets (e.g. access, surveillance, transparency, compliance, recordkeeping)?</p>	<p>5. Financial exchanges must prepare and to store information relating to its operation, as stipulated in the Cabinet Ordinance, and to submit them to the Commissioner of FSA (FIEA Art 188). Financial Instruments Exchanges shall properly conduct the Self-Regulation Related Services. They may, with an authorization of the Prime Minister, entrust the Self-Regulation Related Services to a Self-Regulation Organization (FIEA Art 85). Self-Regulation Organizations are under supervision by FSA as well as Financial Instruments Exchanges. Self-Regulation Organizations must prepare and to store information relating to its operation, as stipulated in the Cabinet Ordinance, and to submit them to the Commissioner of FSA (FIEA Art 188).</p>

	Also, financial exchanges must establish a participant rules and to monitor to ensure that participants observe these rules.
6. Do Markets have the ability to share information with domestic and/or foreign regulatory authorities?	6. Markets may share information with the domestic regulators within the framework of market supervision.
7. How are foreign Markets treated (e.g., a special recognition category, an exclusion or an exemption from registration)?	7. Where FIBOs trades securities and derivatives overseas, it needs to obtain an approval by the Prime Minister and open a foreign exchange (FIEA Art 155 (I)).

D. Regulatory Requirements for Central Counterparties

1. Does the regulatory framework include requirements for central counterparties that provide clearing and settlement services for Swaps?	1. Where a CCP intends to provide a central clearing service to the domestic FIBOs, it requires a licence to be obtained (Art 156-2). Regulations stipulate conditions for licence application evaluation criteria.
2. What are the registrations or licensing requirements for such central counterparties?	2. There is a requirement to have capital in excess of Y1 billion (FIEA Art 156-5-2, Order for Enforcement of the FIEA 19-4-2, and in

addition, during licence application, the following issues are the subject of evaluation:

- ① Whether the Articles of Association, and the internal operating rules are compliant with the regulatory framework, and whether it has adequate capability to undertake Financial Instruments Obligation Assumption Service in an appropriate and accurate manner.
- ② Whether the financial resources are adequate for proper operation of Financial Instruments Obligation Assumption Service and whether it has reasonable outlook with respect to operating income arising from the Financial Instruments Obligation Assumption Service.
- ③ Whether its human resources possess adequate level of knowledge and expertise to ensure proper and reliable operation of the Financial Instruments Obligation Assumption Service, and to have attained social respect.
- ④ Whether adequate infrastructure exists to ensure timely calls for collaterals required for the settlement of unsettled liabilities can be made, operation of a highly reliable facility to execute smooth

	<p>settlement, and other settlement related activities that can be executed appropriately and accurately.</p> <p>When a CCP does not meet a required criteria such as when it is not a joint stock company with a board of directors or auditors, or a committee, a licence will not be granted (Art 156-4(II)).</p>
<p>3. Who is excluded or exempted from such registration or licensing requirements?</p>	<p>3. There is no scope for an exemption from a licencing requirement.</p>
<p>4. What is the process for updating, withdrawing, or terminating such registration or exempting from such registration?</p>	<p>4. The Prime Minister may, when a CCP violates an existing regulation, withdraw licence or impose other sanctions (FIEA Art 156-18(II)).</p> <p>When a CCP intends to withdraw the clearing service or dissolve the entity must obtain approval by the Prime Minister.</p> <p>Also, there is no provision for renewal of licence or exemption from a licencing requirement and therefore no procedures exists in this regard.</p>
<p>5. What are the ongoing regulatory responsibilities of such central counterparties (e.g., financial resources, risk management, safeguards against</p>	<p>5. Cabinet Ordinance stipulates that CCPs must create and to maintain documents relating to its operation and to submit these to the Commissioner of FSA (FIEA Art 156-3). Furthermore, minimum</p>

<p>member or participant default, authority in the event of a default, recordkeeping)? 18</p> <p>18 The Recommendations for Central Counterparties were published in November 2004 (and currently are being revised) by the Committee on Payment & Settlement Systems of the Bank for International Settlements and the Technical Committee of IOSCO. Links to this standard, as well as related standards and the consultative report for revising them, are available at http://www.bis.org/publ/cpss94.htm.</p>	<p>capital requirement for CCP is Y1 billion. (FIEA Art 156-5-2).</p>
<p>6. Do such central counterparties have the ability to share information with domestic and/or foreign regulatory authorities?</p>	<p>6. A CCP may share information through supervision by the domestic regulators.</p> <p>Furthermore, JSCC, the domestic CCP, is a member of CCP association CCP12, and through this route it is sharing information with the foreign regulators.</p>
<p>7. How are foreign central counterparties treated (e.g., a special recognition category, an exclusion or an exemption from registration)?</p>	<p>7. For foreign CCPs that are clearing counterparty to the domestic FIBOs, a domestic licence is required to be obtained. (Art 156-2, 156-20-2).</p> <p>However, where the impact of assuming clearing liabilities is deemed insignificant to the domestic market, the Commissioner of FSA may publish a notification in which case the foreign CCP may not require a licence to undertake clearing activities. (FIEA 2 XX VIII, Order for</p>

	<p>Enforcement of FIEA 1-18-2, Art 1-19(2))</p> <p>Where a foreign CCP intends to enter into domestic clearing business through link, the domestic CCP which has contracted with the foreign CCP need to obtain an approval from the Prime Minister (Art 156-20-16).</p>

E. Regulatory Requirements for Data Repositories

<p>1. Does the regulatory framework include requirements for data repositories for Swaps? 19</p> <p>19 If entities other than data repositories can fulfill this function, please describe the jurisdiction's requirements for such activity and provide the relevant information for each question on this topic.</p>	<p>1. For a TR to provide services to domestic FIBOs, it needs to be designated by the Prime Minister (FIEA Art 156-64 (III)), and regulation stipulates the criteria for a designation.</p>
<p>2. What are the registrations or licensing requirements for such data repositories?</p>	<p>2. In order for a TR to be designated, the following requirements must be met (FIEA Art 156-67)</p> <ol style="list-style-type: none"> 1) The entity must be a body corporate. 2) The entity must not have had its designation withdrawn within the previous five year period.

	<p>3) The entity must not have committed an offence under FIEA or equivalent foreign law.</p> <p>4) It must not include any directors who are deemed inappropriate for such a role.</p> <p>5) It must have adequate financial resources to maintain the operation, as well as to demonstrate prospect of profitable operation</p> <p>6) It must have staff that have appropriate knowledge and skills to undertake TR operation accurately and appropriately, and has adequate social recognition for trustworthiness.</p>
<p>3. Who is excluded or exempted from such registration or licensing requirements?</p>	<p>3. Under no circumstances will there be an exemption from designation requirements.</p>
<p>4. What is the process for updating, withdrawing, or terminating such registration or exempting from such registration?</p>	<p>4. Under FIEA Art 156-83 (I), the Prime Minister is able to withdraw the designation status granted to the TR if it violates an applicable domestic regulations etc.</p> <p>When a TR terminates or suspends a part of its operation, it needs to obtain an approval from the Prime Minister (FIEA Art 156-82)</p> <p>Also, there is no process for a renewal of or an exemption from designation status as such concepts are not applicable.</p>

<p>5. What are the ongoing regulatory responsibilities of such data repositories (<i>e.g.</i>, timing of reporting to the public, recordkeeping)?</p>	<p>5. We are currently in the process of determining the details relating to the recordkeeping and reporting of trade information, we anticipate publishing a draft Cabinet Ordinance by next spring for public consultation, given the fact that we need to meet the implementation deadline and also to provide the market participants with adequate preparation time.</p>
<p>6. Are such data repositories required to use a specified data standard when they provide data to regulatory authorities and, if so, what standard is required?</p>	<p>6. We are currently in the process of determining the details relating to the recordkeeping and reporting of trade information, we anticipate publishing a draft Cabinet Ordinance by next spring for public consultation, given the fact that we need to meet the implementation deadline and also to provide the market participants with adequate preparation time.</p>
<p>7. Do such data repositories have the ability to share information with domestic and/or foreign regulatory authorities?</p>	<p>7. TR may share information under the supervision of domestic regulatory authorities.</p> <p>Furthermore, TR may share information obtained by the domestic authorities that are participating in an international cooperative oversight framework.</p>
<p>8. How are foreign data repositories treated (<i>e.g.</i>, a special recognition category, an exclusion or an exemption from registration)?</p>	<p>8. Of those who operates a TR overseas, those who are designated by the Prime Minister as an entity that is expected to collect and to store</p>

	<p>the trade data, is defined under FIEA Art 156-64 as a “foreign designated TR”.</p> <p>In designating a foreign TR, it is anticipated that appropriate oversight is taking place through an international cooperative oversight framework and have appropriate reporting regime to our regulators.</p>
<p>9. What are the regulatory requirements in connection with data reporting for entities participating in the Swap market, such as counterparties or Participants (<i>e.g.</i>, maintaining records, reporting data to a repository, real-time reporting to the public, providing information to domestic and foreign regulatory authorities)?</p>	<p>9. FIEA requires that all FIBOs trading in derivatives must report OTC derivatives trade information to the regulators and to store such information. However, FIBOs are exempted from such requirements if information is provided to the TR.</p>

F. Regulatory Comparison

<p>1. Across jurisdictions, for any or all items listed above, which areas of regulation are similar and which areas are different?</p>	<p>1. As the details of the final regulations in various countries have not yet been published it is not possible to undertake comparative analysis of these regulations, but our regulations are consistent with the agreements and discussions that are taking place internationally.</p>
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<p>2. In viewing the existing laws, institutions, and enforcement mechanisms of each respective jurisdiction as a whole, are such similarities and differences appropriate and desirable for regulatory purposes, or do certain aspects of a particular jurisdiction's Swap market warrant a different regulatory approach?</p>	<p>2. We believe that differences in regulatory approaches between different jurisdictions are not denied, given the fact that each jurisdiction would have taken into account specific trading and market characteristic relevant to that jurisdiction. However, bearing in mind the regulatory goal of mitigating settlement risks for OTC derivatives trades, it is necessary for each jurisdiction to subscribe to a common regulatory policy and stance, in particular for cross-border trades.</p>
<p>3. What are the potential costs and benefits (in terms of investor protection, market efficiency, competition, or other factors) that may arise from further consistency/harmonization of regulations across borders?</p>	<p>3. For example, if each jurisdiction regulated cross-border trades in different ways, there would be risks of reducing market efficiency and the level of compliance by traders. For this reason it would be necessary to further harmonise the regulations.</p>
<p>4. How should consistency in regulation across jurisdictions be measured and are there factors other than the harmonized text of a regulation that should be taken into consideration when assessing the degree to which cross-border regulatory harmonization has been implemented in practice?</p>	<p>4. It is possible to assess the level of regulatory consistencies between each jurisdiction, by taking into account to what extent each jurisdiction has adopted measures that have been agreed through international discussions, in terms of basic policy and approach. In assessing the level of harmonization, it is necessary to take into account the cost which will become significant if a detailed assessment is carried out. In this regard we believe that the scope of such an assessment should be limited to confirming whether the regulatory policies adopted by the jurisdictions are consistent with the international consensus.</p>

<p>5. Assuming that a theoretically “optimal” set of regulations for a particular jurisdiction might take into consideration elements unique to a specific market in ways that might make cross-border harmonization difficult, to what extent do the benefits of greater regulatory harmonization across borders outweigh the costs associated with having regulations that might be less tailored to a particular market’s circumstances? In what areas do you believe the benefits of harmonization most outweigh any potential downsides? ²⁰ Are there any areas where you believe the likely benefits of “optimal” market-specific regulation outweigh the likely benefits of harmonization?</p> <p>²⁰ In particular, please identify any potential opportunities for regulatory arbitrage or impediments to the achievement of consistent regulatory standards across jurisdictions.</p>	<p>5. We believe that differences in regulatory approaches between different jurisdictions are not denied, given the fact that each jurisdiction would have taken into account specific trading and market characteristic relevant to that jurisdiction. However, by each having to subscribe to a common regulatory policy and stance as agreed through international discussions, will it become possible for the collective regulatory goal of mitigating settlement risks for OTC derivatives trades to be achieved; in such a situation the benefits outweigh the cost.</p>
<p>6. In the United States, what steps should or could be taken to better harmonize statutory requirements under the Dodd-Frank Act with statutory requirements implemented in other jurisdictions?</p>	<p>6. In order to harmonise the requirements of Dodd-Frank Act with requirements in other jurisdictions, it should be taken that areas in Dodd-Frank Act conflicting with statutory requirements implemented in other jurisdictions need to be coordinated for consistent application, and application of the aforementioned area should be delayed as the minimal step.</p>
<p>7. In the United States, what steps could be taken to harmonize CFTC or SEC regulations with regulations promulgated by authorities in other</p>	<p>7. In order to harmonise CFTC/SEC rules with that of other jurisdictions, it should be taken that areas in these rules conflicting</p>

jurisdictions?	with statutory requirements implemented in other jurisdictions need to be coordinated for consistent application, and application of the aforementioned area should be delayed as the minimal step.

G. Swap Market Information

<p>1. Please identify major organized markets and electronic execution facilities (and the Swaps-related regulator(s) for each) for the trading of Swaps.</p> <p>a. For each market or facility, please provide a listing and description of the major contract classes and subclasses, such as credit default swaps (CDS),²¹ equity swaps, currency swaps, interest rate swaps (IRS),²² and commodity swaps;</p> <p>b. For classes and subclasses of contracts identified in paragraph a above, please provide:</p> <p>i. The trading volumes in 2009, 2010, and year-to-date; and</p> <p>ii. The outstanding notional values at year-end 2008, 2009, 2010, and the most recent available.</p> <p>²¹ For CDS, include: corporate single name, sovereign single name, multi-name, index; CDS on</p>	<p>1. There are some electronic execution facilities provided by the private sector such as Tradeweb and Bloomberg, for example. However, they have been provided recently, and the number of clients is very scarce.</p> <p>a. Concerning above two private sector companies, Tradeweb and Bloomberg offer electronic execution facilities to execute IRS and CDS trades. In IRS trades, only the Tradeweb's electronic execution facility corresponds to Yen-dominated IRS trades.</p> <p>b. Given that currently FSA does not regulate the above-named private sector companies, trading volume is unknown.</p>
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<p>domestic and non-domestic reference assets (classified by country, in the latter case); and CDS between domestic and non-domestic participants (classified by country, in the latter case).</p> <p>22 For IRS, include: underlying currency, structure, and maturity.</p>	
<p>2. Please identify major dealers participating in Swap markets (and the Swap-related regulator(s) for each).</p>	<p>2. Major participating dealers, listed below, are regulated by the FSA.</p> <p>In terms of Yen-dominated IRS, which are major trades in Japan, in the order of descending trade volume for 2010, Nomura, Deutsche Bank, Mizuho Corporate Bank, BNP Paribas, Barclays Capital, JP Morgan, UBS, Morgan Stanley MUFG, MUFG Bank, Sumitomo-Mitsui Banking Corporation, Bank of America - Merrill Lynch, Goldman Sachs Japan (by ISDA survey result).</p>
<p>3. Please identify major central counterparties (and the Swap-related regulator(s) for each) for the clearing of Swaps.</p> <p>a. For each central counterparty, please provide a listing and description of the major classes and subclasses of cleared Swap contracts, such as CDS, equity swaps, currency swaps, IRS, and commodity swaps;</p> <p>b. For classes and subclasses of contracts identified in paragraph a above, please provide:</p> <p>i. The clearing volumes for 2009, 2010, and year-to-date; and</p> <p>ii. The outstanding notional values at year-end 2008, 2009, 2010, and</p>	<p>3. Japan Securities Clearing Corporation (JSCC) is the domestic central clearinghouse for swap trades.</p> <p>a. JSCC currently clears iTraxx Japan CDX. Also from November 2012 it is expected to commence IRS clearing and in this regard it is currently working with potential clearing members.</p> <p>b. Since CDS clearing only commenced July 2011, sufficient data is not available.</p> <p>c.</p> <p>i CDS clearing process is as follows: Using Calypso's CDS clearing system and utilizing CCP report from TIW, JSCC assumes liability. Daily clearing information provided by Markit is used for CDS</p>

<p>the most recent available;</p> <p>c. For each central counterparty, please provide:</p> <p>i. A description of the method used to clear Swaps;</p> <p>ii. A description of the systems used to establish margin on individual Swaps and on Swap portfolios; and</p> <p>iii. The name of each major clearing member of the central counterparty (and the Swap-related regulator(s) for each).</p>	<p>clearing system to calculate the collateral requirement. Credit event determination is undertaken by the Determination Committee of ISDA.</p> <p>ii Margin requirement for CDS clearing is computed using CDS clearing system offered by Calypso.</p> <p>iii Daiwa SCM, Nomura Securities, Mizuho Securities, MUFJ Morgan Stanley Securities, Morgan Stanley MUFJ Securities(Sep. 2011).</p>