



New Leaders at Key Japanese Exchanges and Regulatory Agencies

(Photo: Akira Kiyota - Group CEO, Japan Exchange Group, Inc.)

Topics of the month

Takamichi Hamada Appointed as TOCOM's New President & CEO
Financial Market Regulators – New Appointments and Transfers
FIA Japan New Leadership



Regulatory news

METI Releases Council Report – Aiming at Implementing Electricity Futures Market
FSA Panel for Vitalizing Financial and Capital Markets Publishes Statement

People Interview

New Group CEO Kiyota Shares His Vision for JPX

FIA JAPAN BOARD OF DIRECTORS

■ Executive Committee Members (New) - Newly appointed in 2015

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Vice Chairman and Representative Director

■ **Yasuo Mogi**

Nissan Century Securities Co., Ltd.

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Omgeo K.K.

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■ **Jay Sapsford (New)**

Morgan Stanley MUFG Securities Co., Ltd.

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Greenberg Traurig Tokyo Law Offices.

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Treasurer

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Senior Director, Business Development, Asia-Pacific

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Bruno Abrioux

SunGard Japan K.K.

Senior Vice President, Head of Sales Japan/Korea

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ADVISOR TO EXECUTIVE COMMITTEE

Mitch R. Fulscher

FIA Japan Chairman Emeritus, and Business Consultant

ADVISORS TO THE BOARD

Shozo Ohta

Tokyo Financial Exchange Inc.

President & CEO

James Busby

Goldman Sachs Japan Co., Ltd.

Managing Director, Head, Futures Sales Trading, Securities Division

■ **Richard Clairmont (New)**

ABN AMRO Clearing Tokyo Co., Ltd.

Chief Executive Officer

Edward Higase

Colt Technology Services Co., Ltd.

President & CEO

Seiya Inoue

Okachi & Co., Ltd.

Managing Director, International Division

Wataru Ito

Tokyo Financial Exchange Inc.

Managing Director

Izumi Kazuhara

CME Group.

Executive Director Head of Japan

■ **Yoshio Kuno**

Individual Member

Yuji Kusunoki

Rakuten Securities, Inc.

President

Walter L. Lukken (New)

Futures Industry Association

President and CEO

Mitsuo Miwa (New)

Japan Exchange Group, Inc.

Director, Global Strategy

Mitsuhiro Onosato

Tokyo Commodity Exchange Inc.

Executive Officer

Shin Shinozuka

Newedge Japan Inc.

Representative Director, Head of Japan

Toru Tsukahara

Daiwa Securities Co. Ltd.

Executive Director, Global Markets Planning Dept.

Bob Takai

Sumitomo Corporation, Executive Officer

Sumitomo Corporation Global Research Co. Ltd.

President & CEO

AUDITOR

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PRESIDENT'S MESSAGE

Challenging Times

As I write my inaugural message for the News Letter, the world markets are gripped by volatility and losses, bringing indices to levels uncharted

in years. Uncertainty in China, expectations for an increase in US interest rates, tensions in Korea, low commodity prices with oil under \$40 a barrel and gold at less than \$1200 per ounce – all of this has combined to produce sharp declines from Tokyo and Hong Kong to New York and London.

With any luck, the markets will have recovered to some extent, or at least stabilized, by the time this note to you is published.

Amid all this, our industry continues to seek improvements in the Japanese markets:

- * JPX will launch its next generation equity market trading engine in September 2015.
- * OSE has published the outline for the new trading rules for its own next generation trading system.
- * TOCOM announced the appointment of Mr. Takamichi Hamada as President and CEO, while Mr. Akira Kiyota was appointed as the new Group CEO for Japan Exchange Group.
- * The Japan OTC Exchange executed its first trade of a LNG contract, effectively launching a new product class.

Regardless of the turmoil in global markets, each of these developments underscores the dynamism of Japanese finance.

Following the great success of the FIA Japan Financial Market Conference 2015, FIA Japan is also changing. The AGM brought in new leadership. Technology committee will focus this year on topics from cloud computing to block chain. Proprietary Trading Study Group kicked off and will bring with it new sets of activities. We will be seeking to better inform FIA Japan members by leveraging the discussions and content of FIA Global.

The causes for the recent global rout may be with us for a while. But throughout it all, FIA Japan will be here as well, with a new leadership committed to serving you.

New Group CEO Kiyota Shares His Vision for JPX



Akira Kiyota

Group CEO, Japan Exchange Group, Inc.

FIAJ : You were appointed CEO of JPX in June this year. What is your overall vision for JPX, especially for its derivatives business?

The vision of JPX is to become “Your Exchange of Choice”, and that is to become the most preferred exchange in Asia. JPX was founded in January 2013 as the result of the merger of TSE and OSE, and this fiscal year is the last year of JPX’s very first three-year management plan.

“Now is the time for JPX to expand its businesses outward”

Through this post-merger period, JPX has successfully integrated the cash and derivatives markets and clearing organizations with extensive support from market participants.

Now is the time for JPX to expand its businesses outward to accelerate the processes to reach our vision. First, JPX will renew both of the trading systems; arrowhead, the cash equity trading system, will be updated in September this year and J-GATE, the derivatives trading system, will be updated in mid- 2016. In addition, JPX is preparing to enhance JSCC’s clearing system. The challenge of JPX is how to expand the revenue sources with new IT systems and infrastructure.

Currently, JPX’s derivatives market is the 15th largest derivatives venue in the world, while the cash equity market is ranked 3rd. Looking at the segment breakdown of the trading volume from the derivatives market, a huge portion comes from domestic equity index futures products. To keep growing and expanding the market, JPX recognizes that we always have to enter new segments and products. Recently, JPX has launched JPX-Nikkei index 400 futures last year and Nikkei 225 weekly Options in May this year. JPX also changed the contract specifications of the 20-year JGB futures in July this year. JPX further tries to introduce and expand the product line up into commodity futures and various interest rate products to be competitive against other exchanges in Asia.

“JPX further tries to introduce and expand the product line up into commodity futures and various interest rate products ”

FIAJ : The Japanese government is working along with the regulators to establish Tokyo as a global financial center. At the same time, JPX aims to become the most preferred exchange in Asia. What is needed to achieve both goals? Do you have any plan to conduct international merger and alliances to facilitate business expansion outside Japan?

JPX should maintain a fair trading facility with various listed products for investors both inside and outside of Japan, to raise the presence of Tokyo as a global financial center. For JPX to become a comprehensive exchange, where not only financial derivatives but also other types of derivatives such as commodity derivatives are traded, which should have a significant impact on the presence of

Akira Kiyota assumed the role of CEO of Japan Exchange Group, Inc. in 2015, after serving two years as President & CEO of Tokyo Stock Exchange, Inc. since 2013. He started his professional career at Daiwa Securities Co. Ltd. in 1969 where he spent 44 years engaged mainly in the bond market. He was named President of Daiwa Securities SB Capital Markets Co. Ltd. in 1999, Chairman of the Board and Corporate Executive Officer of Daiwa Securities Group Inc. in 2008, and Honorary Chairman of Daiwa Securities Group Inc. in 2011. He graduated from Waseda University in 1969 and holds an MBA degree from Washington University.

Tokyo as well. I will keep actively interacting with regulators and other related entities to realize the comprehensive exchange scheme and to become “Your Exchange of Choice”, which should definitely bring positive effects on the future of Tokyo as a global financial center.

“I will keep actively interacting with regulators and other related entities to realize the comprehensive exchange scheme and to become “Your Exchange of Choice””

Regarding international business expansion, there is no doubt that Asia is the strategic focal point for JPX based on key strategic facts in the region, such as high future economic growth expectation, financial asset amounts, and regional link among countries. Especially, I would say the relationships with China and ASEAN countries are what really matters for JPX to achieve its goals. However, this does not directly mean that JPX is preparing to conduct mergers and acquisitions in the region. In fact, JPX has been putting its efforts on developing relationships through support and alliance based on mutual understanding. For example, JPX has been part of the joint venture which was founded to develop the first stock exchange in Myanmar, which is scheduled to launch by the end of this year. JPX opened a representative office in Hong Kong last year following those in Singapore and Beijing to boost the promotion to investors in China and other Asian countries. I would like to cultivate the trust with the countries in Asia following the above examples.

FIAJ : At the FIAJ Financial Market Conference held in Tokyo in May this year, JPX announced its strategic intention to enter the commodity derivatives businesses. What do you think about the comprehensive exchange plan?

Major trading venues in the world offer various kinds of asset classes to investors, such as equity, fixed income, foreign exchange, and commodity. This diversification enables those venues to offer access to multiple asset classes to the investors and to secure multiple revenue sources which make the overall business not depend on the market condition of a single product. In Asia, SGX, HKEx, and KRX already have multiple asset class business structures and it is likely that other trading venues in emerging countries will follow the same strategy. Therefore, it is indispensable for JPX to achieve the diversification of asset classes and to establish its identity as a comprehensive exchange.

In Japan, the discussion of the comprehensive exchange scheme started eight years ago. Since then, Cabinet decisions have been made four times and the Financial Instruments and Exchange Act has been revised to set up the legislative backbone for the scheme. Recently, the Cabinet Office stipulated in its Revising Japan Revitalization Strategy that the comprehensive exchange should be developed as soon as possible. However, there has not been much progress made so far and meanwhile, the Chinese commodity market has been expanding rapidly and gaining more competitive advantage.

JPX and TOCOM agreed that the two exchanges will jointly use JPX’s next generation derivatives trading system which is scheduled to be launched in mid-2016. JPX will keep moving forward to expand JPX’s business segment not only into the commodity market but also into other markets, such as interest rate market, and I also expect the cooperation with related entities and stakeholders to help achieve JPX’s goals.

FIAJ : What are your views on the current regulatory changes taking place globally and how do you see this affect the Japanese markets?

OTC derivative regulations were dramatically tightened all over the world in the wake of the global financial crisis in 2008. The US market has been particularly dynamic in flexibly responding to these changes by doing things such as introducing swap execution facilities for trading OTC interest rate swaps and shifting from OTC to on-exchange trading by listing deliverable swap futures.

We at JPX have also been pushing for a shift from OTC to on-exchange trading. We previously listed FX futures in the past, and with respect to Nikkei 225 options, we’ve expanded the number of tradable contract months and will introduce on-demand strikes with the introduction of the next generation derivatives trading system. We will continue to make various efforts to draw in flow from the OTC market.

Looking toward the future, I think that margin requirements for non-centrally cleared derivatives will be a key issue going forward. Although postponed from December 2015 to September 2016, the impact of regulations scheduled to come online in this area will be significant because

“ We will continue to make various efforts to draw in flow from the OTC market.”

they encompass margin deposits and segregation management for all parties participating in a non-centrally cleared OTC transaction. Traditionally, dividend derivatives and single stock options have been traded on the OTC market in Japan, but we expect these regulations to contribute to a shift to listed market trading.

FIAJ : FIA Japan's stated mission is to encourage the growth and success of the Japanese financial markets. How do you think the Association could best work to achieve this goal?

FIA Japan is a global organization comprised of a variety of stakeholders such as brokers, banks, exchanges, IT providers, and law firms. The members of FIA Japan have a deep understanding of how markets work and I want them to actively make suggestions to both exchanges and regulators that reflect the collective needs of all participants so we can further improve our markets. For instance, we can see from examples abroad that market participants are the main beneficiaries when a stock market evolves into a comprehensive exchange as the result of things like integrated access and infrastructure. I expect the members of FIA Japan to continue to actively discuss and make suggestions from a global perspective.

Additionally, I hope that FIA will play an active role in educating both retail and institutional investors on the nature of derivatives and how to use them, as well as continually create opportunities to promote the Japanese derivatives market to investors both domestic and abroad through activities such as the "FIA Japan Financial Market Conference 2015" held in May this year.

"I expect the members of FIA Japan to continue to actively discuss and make suggestions from a global perspective."

FIAJ : Thank you for sharing your insights with FIA Japan.

Regulatory News

METI Releases Council Report – Aiming at Implementing Electricity Futures Market TOCOM CEO Hamada: "Working toward an early launch"

As announced in our previous edition, the Ministry of Economy, Trade and Industry (METI) released on July 6 a report summarizing the discussions of the council on electricity futures market. The deliberations took place during five meetings between March and June, and included discussions on the framework of an electricity futures market and how to prevent "gambling" type of trading. Members of the council (including electric power companies, wholesale dealers, financial institutions and exchanges) shared their views towards the launch of an electricity futures market, working with the assumption of a listing on an exchange - Tokyo Commodity Exchange (TOCOM) - as had been the case with overseas contracts. Following the release of the report, TOCOM's newly appointed CEO Takamichi Hamada commented at a press conference on July 10: "We will work closely with related parties to achieve an early launch."

According to the report, the electricity contract to be listed should use a 24-hour base load standard and, considering the hedging needs of industry players during business hours on weekdays, another day-time load (weekdays from 8am to 6pm) electricity contract should also be listed. On the other hand, the report recommends that the hedging needs for peak loads when demand is highest should be catered through OTC trading and clearing services for the time being.

As a background leading to this drive for an electricity futures market is the currently ongoing overhaul reform of the electricity industry. The retail sales and power markets for electricity are planned to be fully liberalized in 2016, which, if implemented, is expected to revitalize the wholesale electricity market. Thus, it is anticipated that there will be greater needs for a futures contract with electricity prices reflecting the future forecasts of industry players. When looking overseas at previous similar experiences, futures markets have been established in parallel to the liberalization of the electricity markets. Interested parties are hopeful that the establishment of an electricity futures market in Japan will also be very meaningful as a public utility as well.

FSA Panel for Vitalizing Financial and Capital Markets Publishes Statement

The Panel for Vitalizing Financial and Capital Markets has summarized the medium-term policy direction and the focused measures for vitalizing the financial and capital markets in Japan, and published the Recommendations for Vitalizing Financial and Capital Markets in

December 2013, and the Follow-up and Further Recommendations for Vitalizing Financial and Capital Markets in June 2014.

The Panel has evaluated the progress of measures in various areas of the financial and capital markets in Japan and reexamined the policy for 2020, as well as compiled the [Statement for Vitalizing Financial and Capital Markets](#), regarding issues that need to be further developed, including new issues considered to be crucial for vitalizing the financial and capital markets in Japan, which was published on June 30.

Financial Market Regulators – New Appointments and Transfers

FSA

In July, Commissioner Hosomizo resigned and was replaced by the newly appointed FSA Commissioner Nobuchika Mori. Mr. Mori held positions as Vice Commissioner for Policy Coordination and Director-General of the Inspection Bureau, prior to his appointment as Director-General of the Supervisory Bureau in 2014. Mr. Mori had been instrumental in orchestrating the business reforms of major banks in the past, and has been involved in creating a supervising framework to match the globalization trend of financial institutions.

His replacement as Director-General of the Supervisory Bureau is the previous Director-General of the Inspection Bureau, Mr. Toshihide Endo, who himself was replaced by Mr. Hidenori Mitsui.

Also, Mr. Hisashi Ono was promoted to Vice Commissioner for Policy Coordination. His replacement as Deputy director-General of the Planning and Coordination Bureau is Mr. Yasui Hasegawa.

METI

In June, the Ministry of Economy, Trade and Industry released the official transfers within the Ministry. Mr. Terazawa, previously Director-General for Commerce, Distribution and Industrial Safety Policy, was appointed Director-General of the Trade and Economic Cooperation Bureau, having been replaced in his former position by Mr. Takayuki Sumita, who has a background as Director-General within the Agency for Natural Resources and Energy.

FIA Japan is looking forward to continue to work closely with the Japanese regulators to help develop the Japanese financial markets.

Topics of the Month

FIA Japan Financial Market Conference 2015 a Success!

FIA Japan hosted the “FIA Japan Financial Market Conference 2015” on May 12-13 at the Palace Hotel in Tokyo.

The conference addressed the key issues, current challenges and opportunities impacting the global and Japanese trading environment today and focused on the following two major themes: “Japan’s Unique Position in Asia – the Growth Region” and the “New Government Attitude”.

It featured keynote speeches by: Mr. Nobuhiro Maeda, Vice Governor, Tokyo Metropolitan Government; Mr. Takao Ochi, Parliamentary Vice-Minister of Cabinet Office; Mr. Takehiro Sato, Member of the Policy Board, Bank of Japan; Mr. Tatsuya Terazawa, Director-General for Commerce Distribution and Industrial Safety Policy, Ministry of Economy, Trade and Industry. Panel discussions were conducted with regulators and leading industry experts on issues such as cross-border regulatory issues moderated by Mr. Walter Lukken, President & CEO FIA Global and former Acting Chairman of the CFTC.

About 490 participants attended the event, with roughly 1/3rd being from the buy-side, a much larger proportion than at the previous conference in 2012. The feedback we have received from participants was very positive, with about 90% rating the overall event as “very good” or “good”.

FIA Japan will consider holding another conference in the next few years. We welcome your feedback/comments on this past conference and any future events you wish for FIA Japan to organize ([contact us here](#)).



Left: Panel discussion during the conference
Above Left: Keynote speech by Parliamentary Vice-Minister of Cabinet Office Ochi
Above Right: FIAJ Vice Chairman Mogi acting as Master of Ceremony
Right: Participants networking at the reception

FIA Japan New Leadership

FIA Japan elected new Board Members and new officers for FY 2015.

Mr. Mitch Fulscher, one of the founding directors of FIA Japan in 1988, has stepped down as President - CEO after 18 years of dedicated service heading the Association. He will continue to support FIAJ activities as Chairman Emeritus and serving as Advisor to the Executive Committee. Mr. Michael Ross was elected as the new President –CEO to replace Mr. Fulscher.

Also, Mr. Walter Lukken, President & CEO of the Futures Industry Association (Washington DC) joined as a board member. Mr. Lukken has served many years as the leader of FIA, as well as having served as the US Commodity Futures Trading Commission Chairman. Other newly elected board members and officers are as follows:

New Vice President:

Jay Sapsford - Managing Director and Chief Administrative Officer, Morgan Stanley MUFG Securities

New Board Members:

Richard Clairmont - Chief Executive Officer, ABN AMRO Clearing Tokyo Co., Ltd.

Mitsuo Miwa - Director, Market Planning and Development Dept., Osaka Exchange, Inc. /Japan Exchange Group.

For a full list of directors, please see the Board List on page 2 of this edition.

FIA Japan wishes to thank the following retiring directors for their valuable contributions to the Association over the years:

Sean Lawrence, previous Chief Executive Officer, ABN AMRO Clearing Tokyo Co., Ltd

Eiji Omoto, Joint General Manager, Futures Sales, Mizuho Securities Co., Ltd.

Takamichi Hamada Appointed as TOCOM's New President & CEO

On June 26, TOCOM announced changes in its leadership. Mr. Takamichi Hamada, previously Executive VP and COO, became the President and CEO of the Exchange. Mr. Tadashi Ezaki was appointed as Executive Advisor.

At a press conference, Mr. Hamada announced his commitment to the management principles of the Exchange and desire to push forward with TOCOM's growth plans. These plans include: 1. Establishing a base of operations that stabilizes revenue growth; 2. Creating a comprehensive energy market that includes electricity futures and LNG as core products and; 3. Increasing collaboration with other exchanges, including JPX and exchanges in mainland China.

At the behest of its customers and to increase revenue, TOCOM will create a physical gold market. TOCOM aims to become a comprehensive commodity market that includes OTC and physical products. The Exchange will work on developing a new electricity futures market, as outlined in a METI Council on Electricity Futures Market report.

Mr. Hamada previously served TOCOM as President in 2002 after departing his Deputy Director General position at METI. He led early reform efforts to open the markets to global trading participants. Mr. Hamada left TOCOM in 2006 seeking other professional challenges, including a post as executive officer of Fuji Electric. He returned to TOCOM as Executive VP and COO in 2014.



Takamichi Hamada

JPX arrowhead Renewal

On September 24th, 2015, JPX will launch the next-generation arrowhead – a new cash market trading engine modeled on the current arrowhead system. The three key features of the new arrowhead are reliability, convenience, and system capacity.

A surge in high-speed electronic trading and subsequent issues, such as a massive volume of erroneous orders placed on venues overseas, have pushed system reliability to the forefront of market operation. In response to these amplified risks, the new arrowhead system will integrate enhancements such as a new sequential trade quote rule, dummy symbols, and user-designated hard limits.

In addition, the new arrowhead will increase user convenience and bring trading rules and risk control performance to the next level by introducing optimized tick sizes (Phase III), cancel on disconnect, and kill switch functionality.

Finally, in order to adequately handle a sudden surge in order volumes, such as the time of the launch of Abenomics or the occurrence of the Great East Japan Earthquake, the new arrowhead will boost system capacity and processing speed in order to maintain its position as one of the world's premier trading engines.

KVH Changes its Corporate Name to Colt Technology Services

KVH Co., Ltd, an FIA Japan member, became known as Colt Technology Services Co., Ltd from August 18th. KVH was acquired by Colt in a related-party transaction at the end of 2014, and it was decided to adopt the Colt brand across all KVH markets to reflect its new legal entity names and further unite the companies. While the name of KVH has changed, there will be no changes to its services or how it delivers these services to the market.

Committee Activities

Market Development Committee

Chairman Yoshio Kuno

MDC welcomed the following new brokers that joined the committee's discussions on "cost of business": Ms. Nakamura of ABN, Mr. Shinozuka of Soc Gen/Newedge and Mr. Kondo of BA ML.

The discussion concluded for MDC to look into several cost areas including technology, market data, exchange fees, operation-related and regulatory reporting.

Technology Committee

Chairman Bruno Abrioux

During the summer season, the FIA Japan Technology committee has been focusing on three main themes:

- 1) The committee has continued building a common understanding on the state of the adoption of cloud computing technologies in the Japanese Financial Services Industry. As a first outcome, the committee is delighted to share the key takeaways from the FIA Japan May Conference Technology Panel in this newsletter's Tech Corner. Our committee discussions have also led to look at the research released last May by the [Asia Cloud Computing Association \(ACCA\) on the regulatory landscape in APAC for the adoption of cloud technologies for FSI](#). The committee is now contemplating the possibility to get direct comments for our members on this research through a seminar.
- 2) As a follow-up on previous discussions on the technology-related risk of Automated Trading Systems, the committee has started studying the "[Guide to the Development and Operation of Automated Trading Systems](#)" issued by FIA Washington in March this year. The objective would be to present this guide to FIA Japan members and share feedbacks from Japan to the issuing entity.
- 3) On July 2, the FSA has published the "[Policy of Approach to Strengthen the Cyber Security in the Financial Industries](#)" (Japanese only)." As stated by the FSA news, the policy aims to clarify the issues to be addressed and to share common awareness regarding cyber security with financial institutions, financial service users and related institutions. With increasing cyber threats within the FSI, this has prompted the Technology Committee to think of educational seminars for FIA Japan members on the topic of Cyber Security. The committee will look at setting these seminars with the relevant bodies issuing recommendations

in Japan like the FSA, the FISC and the NISC as well as other subject matter experts.

Commodity Study Group

Chairman Mitsuhiro Onosato

It is remarkable how rapidly Asia's influence in global commodity markets has grown. Needless to say, the mainland Chinese market and its demand drivers have been strong enough to create structural changes around the world.

Hong Kong acts as a window for the mainland, and Singapore is strengthening its position as a global market hub. While Japanese commodity markets have a long history and are more mature than other Asian markets, agile competitors could create enough momentum to overcome a deficiency in experience.

The FIA Japan Commodity Study Group (CSG) is focused on the latest Asian commodity derivative market trends. The group discusses current topics, agendas and strategies related to commodity derivatives in Japan, the majority of which is traded on TOCOM. Some topics recently discussed at CSG meetings include: 1) the development of a comprehensive energy market, including the listing of LNG and electricity futures following retail electricity market deregulation in 2016; 2) the joint-use of JPX's next generation derivatives trading system from late 2016; 3) existing TOCOM products, including the newly listed Gold Daily Futures contract, the revitalization of Gold options, the Crude Oil contract (open interest recently increased three-folds resulting from JPX ETN trading) and; 4) the Rubber contract, a unique product that connects TOCOM to south-eastern Asian producers.

CSG charter

"The Commodity Study Group (CSG) works with its members to improve the market experience for participants and contribute to the development of Japan's commodity futures industry. CSG members consist of FCMs, proprietary firms, clearing firms and exchanges. They represent all of Japan's commodity futures industry and include professionals with deep experience and extensive industry knowledge.

CSG strives to:

- *Provide a venue to discuss commodity market matters*
- *Identify problems that inhibit growth and suggest solutions*
- *Verify existing market mechanisms, discuss improvements and make proposals*
- *Study overseas market details and consider their relevance to Japan*

- Study market conditions and distribute results
- Organize and participate in industry events
By continually communicating with members having many different perspectives, the CSG works to promote industry best practices.”

Exchange News

Japan Exchange Group (JPX) Nikkei 225 Weekly Options Make Strong Start

JPX launched weekly options on the Nikkei 225 on May 25, 2015. These options expire every Friday. Along with monthly Nikkei 225 options, the weekly options offer market participants better fine-tuned risk control functionality and increased trading convenience. The total trading volume since launch until the end of July was 88,292 contracts and trading volume on the last trading day almost reached 5,000 contracts. More and more investors are beginning to participate in the weekly options market.

20-year JGB Futures Contract Specifications Revised

JPX revised the contract specifications of 20-year JGB futures on July 6. Traders can now hedge more easily the most active new 20-year JGB issues thanks to a smaller coupon of the standardized contract and a narrower deliverable grade range of 19 years 3 months to 20 years. By reducing the tick sizes and enabling market makers' quote prices to better reflect actual market conditions, JPX aims to expand its investor base by addressing the demand for basis trading and other strategies. Following the contract specification changes, average daily trading volume kept stable at a level of about JPY 5 billion and open interest has steadily grown to JPY 190 billion (as of the end of July 2015).

Expanded JPX-Nikkei Index 400 Product Lineup

Recently, many more diverse products based on the JPX-Nikkei Index 400 are being introduced around the world. Since it was launched in January 2014, six ETFs tracking the index were listed in Europe and other regions, with the first ETF linked to the index having been listed in the US in June 2015. Total assets under management related to the JPX-Nikkei Index 400 reached 1.2 trillion JPY as of July

2015. In Japan, leveraged, inverse, and double inverse ETFs were listed on August 24, 2015. JPX-Nikkei Index 400 futures trading volumes will likely be boosted by these listings. Moreover, JPX announced the introduction of JPX-Nikkei Index 400 Options in tandem with the launch of the next generation J-GATE scheduled for mid-2016.

Outline of New Trading Rules for Next Generation Derivatives Trading System

JPX is currently developing the Next J-GATE trading system, scheduled for launch in mid-2016, to provide the infrastructure required to support the expansion of the derivatives market – one of the core strategies of the JPX medium-term management plan. In connection with the new system launch, JPX published derivatives-related trading rule revisions on June 24, 2015. Among other changes, the close of the trading session for index futures and other products will be extended from the current 3:00 a.m. to 5:30 a.m. JST when the new rules go into effect. With the activation of the Next J-GATE, new products such as JPX-Nikkei Index 400 options and TSE Mothers Index futures will be launched and risk management functionality will be enhanced.

Tokyo Financial Exchange (TFX) To Introduce New discount program

Tokyo Financial Exchange (TFX) announced the renewal of existing strategy trade discount programs, extending its coverage to butterfly and condor strategies executed through TFX block trading facility. TFX initially introduced the strategy trade discount program in February 2014, which grants fee discounts for strip strategy executed as (a series of) block trades. After the renewal, butterfly and condor are also covered by this discount program, providing a maximum 90% discount on a per-contract exchange fee. In addition to the above program, TFX has implemented several revitalization measures for its Three-month Euroyen futures market such as market maker (liquidity provider) program and fee discount program for trading further-dated contracts.

Releases Launch Details of Click Large

TFX disclosed detailed launch schedule and product specification of its new Exchange FX margin trading market “Click large”, which the exchange had initially announced in its general outline in April this year. The launch date is set on November 30, 2015. The new market will go-live with 5 major currency pairs (USD-JPY, EUR-JPY, GBP-JPY, AUD-JPY, and EUR-USD) at the start and the con-

tract size will be 10 times larger than TFX' current FX margin product ("Click 365"). With the minimum tick size of 0.1 pip (except for the EUR-USD pair), finer than the one for Click 365 (at 0.5 pip), it is expected that investors will be able to trade the contracts in a more precise manner, reflecting their market views.

As quoting prices are expected to have narrower bid-ask spreads than those of Click 365, TFX anticipates that Click Large will attract a wide variety of participants that include overseas funds and proprietary trading firms.

Click 365 Turkish Lira- Japanese Yen Pair Took Off

"Turkish Lira- Japanese Yen (TRY-JPY)", Click 365's latest currency pair launched on May 11 of this year, has been gaining popularity among retail investors and its open interest has already exceeded 200,000 lots within three months since the launch. One of the appealing features of the new pair is, in comparison to OTC margin FX trading, that investors can expect to earn relatively high "swap points" which reflect the difference in interest rates between transaction currencies. TRY-JPY's share within the entire Click 365 market reached 13% in July, the third largest share among 24 currency pairs – right after the USD-JPY pair (1st) and the AUD-JPY pair (2nd). Backed by strong support for this emerging market currency, total margin amount deposited with TFX for Click 365 reached a record amount of 300 billion yen on June 16.

Tokyo Commodity Exchange (TOCOM) JCCH Designated Citibank Japan as General Clearing Participant

On July 10, JCCH designated Citibank Japan, Ltd. as a General Clearing Participant. As a General Clearing Participant of JCCH, Citibank Japan can provide clearing for TOCOM precious metals, petroleum products and Chukyo-oil as well as rubber, agricultural products and sugar. They can clear on behalf of their customers as well as non-clearing participants. Since JCCH's establishment in 2004, Citibank Japan is both the first bank and first non-TOCOM member to become a General Clearing Participant.

Citibank Japan joins Nissan Century Securities and Phillip Securities (both TOCOM members) as General Clearing Participants.

In parallel, KCG Asia Pacific of Singapore has acquired the first TOCOM Remote Trade Membership.

First Trade Executed on JOE's LNG Market

Japan OTC Exchange (JOE), a joint venture between TOCOM and Ginga Energy Japan (an energy broker), announced the first LNG Non-deliverable Forward transaction on July 31. JOE's LNG market fixing price is used in the assessment of DES (Delivered Ex Ship) Japan daily price by RIM Intelligence. It is expected that, as LNG transactions increase, the JOE fixing will replace crude oil for pricing LNG for the Japan market. Also in July, two major Taiwanese companies involved in LNG, Taiwan Power Company and CPC Corporation Taiwan, became members of the JOE LNG market.

JOE was formed in November 2013 to provide OTC markets for energy products, including petroleum products and LNG. JOE launched LNG Non-deliverable Forwards in September 2014. JOE occupies an important place in TOCOM's plan to form a comprehensive energy market.

Singapore Exchange (SGX) Rupee Futures Wraps Up June with Record Volume and Open Interest

In the month of June 2015, SGX INR/USD futures trading volumes soared to a new record high of 286,959 contracts (approximately US\$9 billion in notional value traded), up nearly 26 times year-on-year from the 11,165 contracts traded in June 2014.

Over the same period, open daily interest in SGX INR/USD futures swelled to a record 32,198 on 25 June, driven by growing demand from a broad base of global investors seeking efficient currency hedging instruments that offer greater market transparency and robust price discovery.

SFOA Paul-André Jacot 1943-2015

FIA Japan is saddened to learn of the passing of Paul-André Jacot on August 14, 2015. Mr. Jacot had led the Swiss Futures and Options Association for many years, before retiring last year. His work was recognized by FIA with his introduction to the FIA Hall of Fame in 2009. He also shared close relationships with some officers of FIA Japan and had been very supportive to our Editorial Board. We express our deepest sympathies to his family and friends.

Cloud Technologies in the Financial Services Industry: Key Takeaways from the FIA Japan 2015 Conference Panel Discussion

On May 13, the FIA Japan Technology Committee had the honor to welcome a diversity of distinguished panelists from the Financial Services Industry to discuss their strategic drivers for moving some of their core infrastructures and mission critical IT systems onto the cloud: Mr Yoshinori Suzuki, Executive Vice President & Chief Information Officer at Japan Exchange Group, Mr. Yoshitaka Yamada, Head Operation & Systems Dept. at Sumitomo Mitsui Asset Management Company, Mr. Krishnan P. Sankaran, Managing Director Technology at Goldman Sachs Japan Holdings, and Mr. Pieter Franken, Senior Executive Director and Chief Technology Officer at Monex.

According to JPX's CIO, Suzuki-san, shifting from a traditional infrastructure set-up to a private cloud-based IaaS* model allowed to lower the infrastructure-related costs by 20% to 30%. To his view, there is though a need for Japan to expand the number of vendors providing cloud computing technologies for a greater choice of services.

As far as Sumitomo Mitsui Asset Management Yamada-san is concerned, successfully achieving a higher-cost efficiency in IT operations was not exclusively related to the decision of adopting cloud computing technologies. It was more the result of the combination of three thoroughly-analyzed technological choices, all aiming at an increased automation of the business flow processing:

Deploying solutions that ① allow a straight-through-processing across the entire business chain; ② are based on an industry-standard messaging format (FIX protocol); and ③ are on the cloud.

Mr. Sankaran identified one of the main values of cloud services as being an enabler to serve overall industry participants in new ways. According to him, many financial institutions face similar problems and tend to solve them on their own over and over. Using the flexibility of cloud computing services, the solution to certain problems can be shared across the industry while being profitably monetized, he added. He illustrated his talk by taking the example of Symphony, the Goldman Sachs-led industry initiative to build a cloud-based compliant platform for instant communication and content sharing that connects market participants securely.

Finally, Mr. Franken delivered some practical examples on how Monex has been benefiting from the adoption of cloud computing services. He first recommended to start the cloud adoption with internal services, before proposing cloud-based services to the company end-customers. He added that, by doing so, you could become familiar with cloud technology while limiting your business risks: "If the technology does not work for your internal services, it will probably not be suitable for your end-customers". Once successful with internal services, his suggestion was to then move forward with first experiments for end-users and to increase the cloud adoption incrementally. To his view, some specific business activities are highly suitable for cloud computing services thanks to a "pay as you go" pricing model and "scale as you use" instant deployment capability. Typically, backup and disaster recovery set-ups which are traditionally related to a high cost of own-

ership for a limited usage are one example, testing and staging environments which require punctual intensive computing resources are another, and the delivery of real-time market data to a large customer base which is by definition very volatile in terms of capacity requirement is also another example.

The FIA Japan Technology Committee truly hopes that those insights will be helpful when it comes to shaping your IT strategy and would like to thank once again the four panelists for sharing openly how adopting cloud computing services have helped to improve their business efficiency.

** IaaS stands for “Infrastructure as a Service”. For more details on the basic technical definition of cloud computing, please refer to the Tech Corner of the Newsletter May 2015 edition.*



Above: FIA Japan Technology Committee Panel on Cloud Technologies in the Financial Services Industry (chaired by Mr. Mike Ross)
Right: FIA Japan Technology Committee Chairman, Bruno Abrioux, introduces the panel at the conference.



Opinion Column

By Chika Nakamura, ABN Amro Clearing

Necessity or Luxury

What would you consider a necessity versus a luxury? What once was considered a luxury, would you now consider a necessity?

Most people have told me that they would rather lose their wallet than their mobile phone. If you had asked this question 10 years ago, most people would have considered losing a mobile phone to be harmless. However, times have changed and social norms have changed as well. We now keep connected to the outside world with our mobile phones as a primary conduit and people feel helpless without it. For most people, their daily routines revolve around the use of their mobile phone. While the mobile phone has become a necessity in most people's lives, it is only recently that the majority of people actually own their mobile phones. Nowadays, my mobile phone is such an important tool in my life that I'm not sure if I could get around without it. I really thought of my mobile phone as a luxury when I first got one. Now I realize that it is a genuine life saver and necessity for me.

Perhaps we can see a similar situation with the financial markets. What we considered a non-necessity may be a necessity in these current times. There used to be a debate over whether or not algorithm or high frequency traders are harmful to the market. Nowadays, it is commonly understood that they bring liquidity and diversity to the market. Without them, there would only be illiquid markets for certain products. Also, exchanges are now updating technologies and implementing rules for a more transparency and fair market. Extension of trading hours is another example. When the night session was extended, it was considered a non-necessity which had required more workers and changes in the existing procedures. However, eventually it became a necessity for many traders.

We have seen various developments in the financial market in the past. In the beginning, most of them were not considered necessities and people often times resisted the change. However, over time a lot of these changes have proven to become necessities. This phenomena will continue as long as there is a wish to move forward and grow the market.

Going forward, I believe that FIA Japan should be proactive about changes and not just react to market changes but rather help facilitate changes ahead of the curve.

Future Events

FIA Japan Cool-Off Summer Party

September 10, Tokyo

FIA Japan will hold its annual summer party at Ark Hills Club on Thursday, September 10. FIA Japan welcomes members to bring their guest along so that our social events are also utilized for networking. For further information, please contact the Executive Secretary (morizono@fiajapan.org)

Date/Time: Thursday, September 10, 2015 18:00–20:00

Venue: Ark Hills Club

Fee: Member - One representative: Free

Other guests of Members and Non-members: 3,000yen

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Bürgenstock Annual Meeting

22-23 September, Geneva

The Swiss Futures and Options Association (SFOA) is once again hosting its international forum for commodities and derivatives markets in Geneva. Now in its fourth decade, the Bürgenstock Meeting continues its tradition of attracting high-level speakers from the commodities, emerging markets and derivatives industry at its annual flagship meeting.

In line with the market changes the meeting will include interesting and thought provoking discussions & debates

around the latest global industry activities, including new products, emerging markets as well as regulatory drivers.

SFOA is extremely pleased that Mr. Masamichi Kono, Vice Minister for International Affairs, Financial Services Agency will attend along with many other markets represented from across the globe. The conference has proven to be an ideal forum for encouraging closer cooperation among market participants and international regulators.

FIA Expo 2015

November 3-5, Chicago

The FIA Futures & Options Expo, now in its 31st year, convenes thought leaders and industry stakeholders for three days of engaging programming. Over 5,000 attendees will gather in Chicago for a stellar program and exhibit hall, featuring the most innovative technology and service providers.

FIA Asia Derivatives Conference

December 8-10, Singapore

The FIA Asia Derivatives Conference convenes over 700 senior-level executives, managers and regulators in Singapore for an in-depth discussion of global and regional derivatives industry issues.

Panel sessions will cover topics such as: regional market developments, trading challenges and the evolving regulatory landscape. The three day conference provides ample opportunities for interaction with distinguished speakers and networking with fellow participants.

Past Events

FIA Japan AGM

FIA Japan held its 27th Annual General Meeting followed by a reception at International House on June 2.

At the meeting this year, The Budget and Business Plan 2015 and the Dues Structure were passed and approved by the Members. As reported earlier in this edition, Mr. Fulscher, one of the founding directors of FIA Japan, announced that he was to step down as President - CEO after 18 years of dedicated service heading the Association. The Board of Directors thanked him for his many years of contribution.

At the reception following the meeting, we welcomed and enjoyed cocktails and buffet with about 100 of our members and guests. Mr. Ross, who was appointed as the new President – CEO, commented that he would like to increase efforts to enhance services to our membership and to try to add more value to FIAJ membership.

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The new FIAJ President - CEO, Mike Ross (center), is congratulated by FIAJ Vice Chairman, Yasuo Mogi, and the newly appointed FIAJ Chairman Emeritus, Mitch Fulscher, at the reception following the AGM.



FIA Japan was originally established in Tokyo in 1988 as a nonprofit organization by foreign and Japanese futures industry participants and later reorganized as a “General Incorporated Association” (“Ippan Shadan Hojin”). It is the only organization in Japan of its type with a membership drawn from the entire cross section of the derivatives industry. It has approximately 60 members representing the various corporate sectors participating in the derivatives industry in Japan. Their Mission is to encourage the growth and success of the Japan financial marketplace and its development as a regional and global financial center.

FIA Japan Recent Activities

Newsletter Editorial Board Charter

The Editorial Board (EB) publishes and distributes five editions per year of a bilingual newsletter that covers news relevant to both financial & commodity futures in Japan and includes topics on the various players involved in our industry (i.e: regulatory bodies, exchanges, associations, technology firms, FCMs, etc.). The newsletter is unique in its format, and receives a lot of substantial interest globally.

- Objectives: distribute pertinent information on the Japanese futures industry in order to promote its development, while improving communication within the Association.

- Who can participate: EB welcomes the participation of any industry professional who shares our objectives (please contact the Editor at editor@fiajapan.org).

- Content Policy: fact-oriented, neutral and easy to comprehend information related to or impacting the futures industry in Japan in both English and Japanese.

- Distribution: electronic (now reaching over 200,000 contacts globally thanks to our partner firms: FIA, FIA Asia, JPX, TFX, TOCOM, KVVH, Rakuten, ABN Amro and ADVFN) and hard copies at major industry events (FIA Chicago Expo, FIA IDX, FIA Asia Conference, etc.)

Formation of Proprietary Trading Study Group (PTSG)

Following the kickoff meeting held on the sidelines of our FIA Japan Financial Market Conference on May 12, 2015, we have sought further feedback from the prop firms we had approached and followed-up with a conference call on August 6.

During this call, a consensus was reached to move forward with the creation of the PTSG. The Group could first discuss and articulate issues internally before interacting with the various committees of FIA Japan for further consideration. Issues/Topics of Interest (in order of preference) included the following:

- o Risk Management at Japanese exchanges
- o Error Trade Policies
- o Education on PTGs (seminars, press etc.)
- o Other potential topics mentioned: market manipulation, order to trade ratio, test environment, rules on disconnect etc.

The Group plans to hold monthly conference call meetings and communicate by E-mail to discuss and consider the above issues, before sharing their findings with other committees and the FIAJ board. Any prop firms interested in joining the PTSG can contact the Administration Manager for details (crane@fiajapan.org).

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*Actual records for fiscal 2013

Contact us: editor@fiajapan.org