

PRESIDENT'S MESSAGE

FIA Japan Moving Forward Under New Leadership



Richard Clairmont

President
FIA Japan

In the past couple of years, we have been able to increase the overall membership base of FIA Japan, thanks to the cumulative efforts of our Directors and Officers, while we dramatically expanded the scope of our activities, including numerous interactions with governmental bodies and regulators in relation to discussions on upcoming regulations on HFT. Our newly rebranded “JPTG” group has been providing constructive feedback to the Japanese government, sharing their end-user views and feedback on how to best protect the markets while maintaining them vibrant. At our AGM in May, JPTG member Mr. Gerben van Veldhuisen of Optiver was appointed as a new Director of FIA Japan and is featured in this edition as our main interview. We welcome him on the board and look forward to his contributions representing the buy-side of our industry.

In the same spirit, FIA Japan MDC members, prominently composed of brokerage firms, have been meeting recently to discuss the potential impact of these regulations on their businesses. Our goal at FIA Japan is to provide valuable feedback from all of our members. We ask for their continued support as we continue to strive to help further develop our markets.

***Note from the Editorial Board:** At the FIA Japan Annual General Meeting held in Tokyo on May 29, 2017, Mr. Richard (Chip) Clairmont was nominated and newly appointed as President of the Association. After several years as FIA Japan President, Mr. Mike Ross will next take on the role of Vice Chairman of FIA Japan in which he will continue to drive key initiatives of the organization, while continuing to lead the Japan Principal Trading Group (JPTG).*

Mr. Clairmont joined FIA Japan as a Director in 2015, the year he was appointed CEO of ABN AMRO Clearing Tokyo. He was then appointed as Vice President of the Association in 2016 and was instrumental in helping develop the membership of JPTG, as we provided feedback from a market participant point of view to the Japanese government and regulator on unfolding HFT regulations. He also chairs the FIA Japan Market Development Committee (MDC), which aims to tackle various issues to help develop the Japanese markets.

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Optiver Australia Corporate Strategy Manager Discusses Views on Japanese Markets and Upcoming Regulations



Gerben van Veldhuijsen

Optiver Australia
Corporate Strategy Manager

Optiver is a global proprietary market maker in listed financial instruments including options, futures and ETFs since 1986. Optiver employs around 1000 employees with main offices in Amsterdam, Chicago and Sydney. Optiver actively support and participates in industry associations such as FIA EPTA, FIA PTG and FIA Japan.

Gerben van Veldhuijsen joined Optiver in 2009 as a Market Structure Analyst in Amsterdam. In 2014, Gerben moved to Optiver Australia as Corporate Strategy Manager. In that role he has been responsible for business development and market relations in the APAC region. After being involved in FIA Japan's Principal Trading Group since 2015, Gerben was appointed as a Director of FIA Japan in May 2017.

Gerben graduated from Utrecht University (The Netherlands) completing a Master degree in International Economics and Business.

FIA Japan: In order to expand the diversity of input into our activities from various market participants, FIA Japan started a buy-side-focused Study Group in 2015, at which time there were only a few such firms involved in the Association. A couple of years later, the Japan Principal Trading Group (JPTG) has grown to over 20 firms, with 15 of them joining FIA Japan membership. How would you explain the success of this initiative and where do you see JPTG focusing on in the mid-to-long term?

Veldhuijsen: The success of the initiative came through a combination of the excellent facilitation of FIA Japan and good timing around the establishment of Financial System Council's Working Group on Financial Markets in April 2016.

FIA Japan has a long history of representing the futures industry in Japan and has a unique member base comprising of the major users and providers of derivatives markets. Despite the relatively high participation levels in derivatives and stock markets of proprietary trading firms in Japan, a concerted involvement of the industry was largely absent until 2015. FIA Japan has provided the opportunity

to set up the Principal Trading Group (JPTG) under its umbrella. This followed the example of successful and more established efforts in Europe (EPTA) and the United States (PTG).

In particular, the expertise of FIA Japan representatives such as Michael Ross, Mogi-san, Mitch Fulscher, Maruyama-san, Chip Clairmont and Tony Crane has been influential in the success of this group.

After a slow start in 2015 the group found its purpose around the market consultation issued by the Financial System Council regarding the Working Group on Financial Markets in April 2016. High Speed Trading (HST) in particular provided a common theme for the industry, resulting in several JPTG submissions. At the same time, the other topics related to supporting long-term investment behaviour, competition among exchanges and fiduciary duty towards clients are just as important. The policy directions that will follow from these will set the scene for the coming years in Japan's financial market.

In the medium to long-term I expect the JPTG and its members to continue to be a partner in conversations with local market stakeholders on a variety of topics including

regulations, technology and market developments.

BEING TRULY SUCCESSFUL AS A MARKETPLACE REQUIRES ASPECTS SUCH AS: A BALANCED INVESTOR MIX, FINANCIAL INSTRUMENTS WITH NATURAL DEMAND, SCALABLE AND COMPETITIVE EXCHANGE TECHNOLOGY AND TRANSPARENT RULES AND REGULATIONS. ON ALL THOSE ASPECTS JAPAN HAS EXCELLED IN THE REGION.

FIA Japan: Many foreign firms, such as yours, are actively trading the Japanese markets, representing over half of all trades in derivatives for example. In your view, what makes the Japanese markets so attractive to foreign participants? Are there any particular barriers to entry that may still impede the development of our markets?

Veldhuijsen: Optiver has been active in Japan for about a decade and is currently a registered Primary Market Maker in OSE's Nikkei 225 and JGB options products. It also actively provides liquidity in Futures and ETFs. We broadly recognise the core functions of financial markets as enhancing capital formation, allowing for efficient price discovery and facilitating the transfer of risk. Stock and derivatives exchanges around the world have evolved over the course of decades, and sometimes centuries, to find a balance across all aspects involved in running an efficient market place covering those core functions. Being truly successful as a marketplace requires aspects such as: a balanced investor mix, financial instruments with natural demand, scalable and competitive exchange technology and transparent rules and regulations. On all those aspects Japan has excelled in the region and this accomplishment can be credited to the leadership and efforts of JFSA, TSE and OSE in particular.

The barriers to entry are relatively low in Japan. The effect of this has been most visible at the OSE derivatives market, which has successfully attracted a significant number of foreign participants over the years, driven by technology upgrades, a thriving night session, market maker incentive programs for foreigners and continuous development of the market.

There are no reasons to expect this trend to reverse any time soon. If there is one concern, it could be the increased hurdle to entry for smaller funds and proprietary firms resulting from a potential administrative and cost burden of HST registration

JFSA IS MINDFUL OF THE IMPACT OF REGULATIONS ON MARKET PARTICIPANTS

It is also important to recognise that JFSA is mindful of the impact of regulations on market participants and is open and willing to discuss such impacts to minimise unintended consequences.

AS KEY MARKET PARTICIPANTS, FIA JAPAN PTG MEMBERS INCLUDING OPTIVER, ARE SUPPORTIVE OF REGULATION THAT PROMOTES FAIRNESS, EFFICIENCY, TRANSPARENCY AND COMPETITIVENESS IN THESE MARKETS.

FIA Japan: As reported in previous editions of our newsletter and as you mention above, Japan is currently working on its own HFT-related regulations, targeting a possible enactment in fiscal year 2017. What are your views on such regulations? What are the key points to keep in mind when crafting them?

Veldhuijsen: As key market participants, FIA Japan PTG members including Optiver, are supportive of regulation that promotes fairness, efficiency, transparency and competitiveness in these markets.

Like the FSA, we believe the key to enhanced market integrity is clear and well-designed rules and regulations, well-run technology and reliable risk management systems. We believe that rules and regulations to protect the market from abuse and to mitigate the risks from technology failures are essential.

While the full details of HST regulation are yet to be determined, the initial intention looks to be in line with global practices. They include an obligation to register as an HST participant, satisfy organisational requirements with a focus on risk controls and targeted disclosure of information on the company structure, trading activities and risk management and compliance policies. We support such efforts, as we trust this will provide the FSA the tools and knowledge to supervisory market activity with greater precision.

As with any regulation, a principles-based approach that is clear and transparent and guarantees a level playing field for the target group is desired. The risk to watch for is to not create unnecessary administrative or cost burdens for current or prospective participants, beyond what is required to meet the regulatory outcomes.

FIA Japan: What are your views on the other agenda points published by the Financial System Council in 2016, such as on competition between exchanges, promotion of ETFs and strengthening the fiduciary duty?

Veldhuijsen: While the outcomes on topics such as Alternative Trading Platforms, ETFs and Fiduciary Duty are yet to be determined, the intention is clear and promising. On each of these topics, the markets and its stakeholders are directed to be more efficient, fair, transparent and competitive. These changes are understandable and ensure financial markets continue to focus on long-term benefits to end-users of financial products.

Ensuring a healthy dose of competition between the in-

cumbent exchanges and PTS platforms will safeguard innovation and efficiency. Promoting the benefits of long-term investment through ETFs and ensuring fair and transparent disclosure on the risks involved in all financial instruments, through bolstering the fiduciary duty, will ensure a sustainable investment climate in Japan and provide better information and more choice to retail consumers.

To see all these topics in one agenda for financial markets highlights the vision and intentions of the decision makers in Japan. This backdrop makes us confident that the Japanese markets confident that the Japanese markets will sustain their relevancy into the future.

WE ARE CONFIDENT THAT THE JAPANESE MARKETS WILL SUSTAIN THEIR RELEVANCY INTO THE FUTURE.

FIA Japan: You were appointed as a Director of FIA Japan at the Annual General Assembly held in Tokyo this past May. In your eyes, what is the main value that our Association brings to firms such as Optiver? What are your thoughts as to how we could continue to grow and contribute to the development of the Japanese markets?

Veldhuijsen: Optiver is honoured to have been given the

opportunity to take a seat at the FIA Japan Board of Directors, but sees it as recognition for the efforts put into the JPTG by a number of proprietary trading firms since 2015. For us, the value of FIA Japan sits in the accumulated knowledge and network of connections, as well as the ability to represent the futures industry as a group. We strive to be an active, transparent and forward-looking participant at the Board and Committee levels within FIA Japan.

THE VALUE OF FIA JAPAN SITS IN THE ACCUMULATED KNOWLEDGE AND NETWORK OF CONNECTIONS, AS WELL AS THE ABILITY TO REPRESENT THE FUTURES INDUSTRY AS A GROUP.

As a newcomer to FIA Japan we are not in a position to advise FIA Japan on the future direction of the organisation, but we certainly look forward to play a role in its further development. The addition of proprietary trading firms is an opportunity for the broader futures industry to be represented and increase the level of dialogue between a wide range of stakeholders.

FIA Japan: Thank you very much.

Broker Technology Re-imagined:

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The same exchange-grade technology used by world's most innovative exchanges, clearinghouses and CSDs, is now available to banks and brokers as a fully-hosted platform.



Multi-asset trading, clearing, real-time risk management, surveillance, index calculation, market intelligence and more, from a single, unified platform.

- Reduce time-to-market for new offerings
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- Future-proof your technology investment and infrastructure.

Example use cases:

- + Outsources dark pool technology, including offering risk & surveillance as a service
- + Cloud-based index calculations or risk calculations
- + Bank internal usage of the world's fastest message bus

To learn how the Nasdaq Financial Framework fulfills your current needs and future business ambitions, visit business.nasdaq.com/market-tech

Stewardship Code Finalized

As reported on the [FSA website](#), the Council of Experts on the Stewardship Code discussed the revision of the “Principles for Responsible Institutional Investors <Japan’s Stewardship Code>” from January 2017, and developed an exposure draft of the revised version of the Code this March. The Council then published the draft of the revised version of the Code and solicited comments from March

28 until April 27, 2017 (as for the English translation, until May 8, 2017).

Based on the comments received, the Council finalized the revised Code. The [final version of the revised Code](#) (English translation) is also available for download on the FSA website.

Margin Trading To Be Opened to PTS Market

The Financial Services Agency (FSA) released the Report by the Working Group on “Financial Markets under the Financial System Council - Initiatives toward Stable Asset Building and the Development of Institutional Systems related to Markets and Exchanges” on December 22, 2016.

The FSA listed up five main issues in the report: 1) establish client-focused operational management (establishment of fiduciary duty); 2) stable asset formation for the general public through the promotion of ETFs and positioning of index investments; 3) speeding up of trading (HFT); 4) competition between markets and trading off market; and 5) business scope of exchanges.

For point 4), FSA understands the importance of PTSs in maintaining competitiveness amongst markets and improve efficiency and convenience for investors. One of the main focus on this subject is the fairness and transparency of the market through a proper cooperation between the exchanges and the PTSs.

One possible solution given by the FSA, is to open margin trading to the PTS markets. The proposed conditions are as follows:

- In order to prevent business conflict, a PTS provider or its subsidiaries/affiliated companies should not offer actual trade funding or stock equities.
- From a self-regulatory function point of view, in order to prevent an excess of speculative activities on margin trading, exchanges are obligated to: 1) provide margin trading balances and reports; and 2) set regulatory measures (appointment of daily restricted stocks, public release of open positions, increase on margin collaterals, limitations and restrictions of trading, etc.). Similar operational

procedures should also be implemented at the PTSs.

Currently, there are two PTSs in Japan: Chi-X Japan and SBI Japannext. Their combined market share is about 5.8% of total trading volume in Japan. The major impact would be the change in retail flow from the TSE to the PTS markets depending on the offered prices.

According to TSE weekly statistics, about 87% of the market is generated from brokerage activities. The percentage of the first section market generated from brokerage activities for individual investors is 17%, the second section market is about 61%, the Mothers is about 67%, and the JASDAQ market is about 64%. Within these individual investor transactions, about 65% are from margin trades. This means that on a weekly basis, about 3.5 trillion yen worth of investors’ money would be able to enjoy more competitive price choices.

Currently, the Japan Security Dealers Association (JSDA) is discussing the issue of margin trading on PTSs under the guidance of the FSA. Once an agreement is reached, the FSA and JSDA will confirm the opening of margin trading to PTSs, and start the process of changing the relevant regulations. No timeframe has been confirmed; however, there is a strong impression that margin trading may be opened to PTSs in the spring of 2018. With this expectation, some of the retail brokers are already in the process of setting up smart order routers (SOR) for their clients.

If margin trading is opened to the PTSs, brokers will adopt SOR which would truly align the market with FSA’s policy of best execution. This means investors will have choices across venues to enable optimal buy and sell prices.

FIA Response to EC Proposal on Clearing in Europe

As reported on the [FIA website](#), in response to a legislative proposal on further amendments to the European Market Infrastructure Regulation (EMIR) regarding clearing in Europe, FIA president and CEO Walt Lukken released the following statement:

“Given the importance of central clearing to our economy, FIA supports the European Commission’s desire to enhance regulatory oversight to maintain stable markets. We appreciate that this proposal builds on the successful equivalence framework in place today, while considering enhanced standards for systemically important clearing-

houses. Although the proposal includes significant limits under which a clearinghouse would be required to relocate, we remain concerned about potential market disruption should any forced relocation occur. As FIA noted in comments to the European Commission, forced relocation would fragment markets, diminish the risk-reducing benefits of portfolio margining, harm liquidity, and ultimately increase costs for end users. We urge the Commission to consider public input and maintain a dialogue with market participants on how best to protect financial stability while maintaining integrated, liquid markets.”

TOPICS OF THE MONTH

Yasuo Mogi Retires From Nissan Securities

Mr. Yasuo Mogi, a founding member of FIA Japan, recently retired from his position at Nissan Securities. He is now a Business Consultant and will continue to serve as Vice Chairman and Chairman of the Executive Committee of FIA Japan as confirmed at the FIA Japan AGM and the Board of Directors Meeting held in May 2017.

Mr. Mogi made the following comments: “After my 6

years in management roles, including as former Chairman and CEO of Nissan Securities Co., Ltd., I am pleased to announce that my term as a member of the Board of Directors and Vice Chairman of the firm was completed as of the General Shareholders’ Meeting held on May 31, 2017.

I would like to take this opportunity to express my sincere appreciation for everyone’s kind support and friendship extended to me in the past years. Although, I am now retiring from said positions, I will continue to pursue and assist the growth of the Global and Japanese Derivatives Market through my capacities as both a member of industry organizations including FIAJ, as well as an independent and outside business consultant for firms in the Financial Industry, including Nissan and other global financial institutions.”

Mr. Mogi can be contacted as follows:

Mobile: +81-80-5042-0275 (080-5042-0275 for domestic call)

E-mail: mogi@t08.itscom.net



FIA Japan Elects New Board Members and Appoints Officers

FIA Japan elected board members for fiscal year 2017 at its Annual General Meeting held on May 29. Newly elected board members are as follows;

- Masatsugu Doi - Executive Officer, General Manager, Equity & Derivatives Business Division, Rakuten Securities, Inc.
- Ryosuke Seo - Director, Fixed Income Products Development and Marketing Department, Tokyo Financial Exchange, Inc.
- Jinya Sazawa - Executive Director, Global Business Development Unit, Global Markets Planning Dept., Daiwa

Securities Co. Ltd.

- Gerben Van Veldhuijsen - Corporate Strategy Manager, Optiver Australia Pty Ltd.

FIA Japan leadership was also amended as follows: Mr. Richard Clairmont was elected as the new President of the Association, replacing Mr. Mike Ross who became Vice Chairman. For a full list of board members and FIA Japan leadership, please refer to the Board of Directors list on the last page of this newsletter.

Introducing International RegTech Association (IRTA)

“Collaboration and Innovation-in Trust are key to the future success of the Capital Markets including the wider Financial Sector in Japan”

The capital markets in Japan has seen unprecedented changes in the last decade and most notably in the aftermath of the financial downturn in 2008. The cost of Regulatory Compliance, Reporting and Monitoring has gone up threefold (Federal Financial Analytics, US) with an extremely competitive global transactions market resulting in reducing margins, increasing time-gap between investment and returns, and a gradual reduction in consumers trust and outlook of the capital market institutions including the brokers, principal, sale-side and other trading firms. On the other hand, a set of new, innovative organizations are using latest breed of technologies to redefine the ways capital markets have been operated. For instance, use of blockchain or use of Artificial Intelligence to perform a number of routine activities, machine-learning capabilities to perform key processes, to assess regulatory risks and respond in time.

The future sustainability of the capital markets therefore depends heavily upon its ability to embrace further changes....change in working practices including increased utilization of technology-driven processes, reducing cost of compliance by deploying smart regulations, changing the

ways regulations and controls are designed and developed by bringing in a set of RegTech-by Design principles by which compliance and controls are inbuilt into a Financial Institutions operating processes.

Collaboration is really key to achieve the above. The need here is to create an innovation eco-system for the capital markets in Japan, in addition to the Co-operation Frameworks signed with the UK and Singapore financial regulators (FCA and MAS). Such eco-system should attract all key players for the future sustenance of the capital markets and the wider financial sector in Japan including the banks and the Financial Institutions, the practitioners, researchers and academics, the innovative RegTech companies and most importantly the financial regulators, including the FSA. We are seeing similar RegTech evolution in other major countries, including the US (reference article: [“RegTech in the USA – the state we are in”](#)).

It is also noteworthy to mention the formation of the [International RegTech Association \(IRTA\)](#) and its Japan Chapter. The IRTA is a truly global organization set up to create the RegTech profession, to provide a global, collaborative, eco-system for further innovation and deployment of RegTech solutions, to provide professional education and certifications on RegTech and to define, deliver a set of Standards to adopt RegTech into a Financial Institution

including the Capital Markets.

Bruno Abrioux is the Chapter Head of the IRTA Japan and is supported by a global team of RegTech professionals including Dr. Subas Roy, who is the Global Chair of the IRTA and previously Global RegTech Leader of a Big4 pro-

fessional services firm. Bruno also chairs the Technology Committee of FIA Japan and will therefore look at creating positive synergies between the two associations to the benefit of the entire Japanese financial services industry.

COMMITTEE ACTIVITIES

Membership Committee Chairman Shin Shinozuka

FIA Japan recently welcomed the following company as a new member:

Mako APAC Pte Ltd is a part of The Mako Group, a London based options market making and sales advisory firm with a global footprint, operating in the Equities, Fixed Income, Commodities and FX derivatives markets. Mako's history has followed options trading from

the open-outcry trading pits of London, Amsterdam and the US through to electronic, screen-based trading and subsequently a focus on automated low-latency execution of algorithmic strategies. Underpinning Mako's success in this journey is an expertise in managing risk and an entrepreneurial and collaborative culture.

Technology Committee Chairman Bruno Abrioux

Following the last FIA Japan AGM, the Technology Committee gathered in June to set the committee directions and structure for the 2017 Japanese Fiscal Year as well as to thank all our committee members for their active contribution to the past events. We were also honored to welcome new committee members from both Brokerage firms and Technology Vendors.

As a result of this meeting, we are pleased to report that Mr. Bruno Abrioux was re-appointed Chair of the Technology Committee and Mr. Yoshiyuki Hoshino (Broadridge) was appointed Vice-Chair of the Technology Committee for the current fiscal year. Possible themes for next Technology Committee activities were also discussed, keeping in mind the grand mission of FIA Japan to promote Japan as a leading financial center through the development of the derivatives markets industry and its related businesses.

Four specific focus topics have been initially retained:

1. Upon finalization of the new regulations by FSA (High-Speed algorithmic trading, Margin Trading on PTS...), conduct an event promoting technologies that support compliance with these new regulations, especially focusing on the risk control aspect.
2. Prepare a follow-up roadmap briefing on exchange / clearing houses initiatives
3. Continue educative session on Cybersecurity
4. Keep sharing updates on technology trends and standards relevant to the Capital Markets industry, including discussions on themes like Regulatory Sandbox.

As a next step, feasibility study and priority will be confirmed so that these topics can be turned into concrete activities aimed at benefiting all FIA Japan members.

If you are interested to either join the committee or contribute to some of the above activities, please do not hesitate to contact Tony Crane, FIA Japan Administration Manager (crane@fiajapan.org).

Japan Principal Trading Group (JPTG) Chairman Michael Ross

The draft of the Financial Instrument and Exchange Act amendment (i.e. “level 1 regulation”) was passed by the Diet on May 17. FSA is currently working on drafting “level 2 regulations” to outline the details of said regulations in Cabinet Orders, Cabinet Ordinances and the like, to be made available for public comments hopefully later

this year and to be enforced possibly as soon as in April 2018.

FIA Japan and JPTG are committed to continue to provide constructive feedback from various market participants, including end-users and brokers, to the Japanese regulators as they draft these detailed regulations.

EXCHANGE NEWS

30th Anniversary of Equity Futures Market in Japan

Osaka Exchange – JPX Group is celebrating the 30th anniversary of the launch of its equity futures market. Over the past 30 years, the equity futures market in Japan has seen steady growth and development, commencing with the pioneering launch of Osaka Stock Futures 50 (OSF 50) (*1) on June 9, 1987, followed by Nikkei 225 Futures and TOPIX Futures in 1988, and later Nikkei 225 mini in 2006(*2).

OSE will continue expanding the derivatives market in its efforts to continue contributing to the development of

the Japanese financial market.

(*1) OSF 50 was the first futures contract listed on Osaka Securities Exchange and was based on a basket of 50 leading stocks. It ceased trading in March 1992.

(*2) The trading volume of OSF50 in FY1987 was 397,419 contracts. In FY2016, the overall trading volume for stock index and other derivatives, excluding JGB derivatives, was 299,589,797 contracts.

The Launch of Osaka Exchange Alert Mail

Osaka Exchange – JPX Group introduced Osaka Exchange Alert Mail on May 29, 2017. This is to immediately notice any trading suspension etc. of OSE derivative products due to system trouble, and the delay in publication etc. of settlement prices or SPAN Risk Parameter Files by Japan Securities Clearing Corporation.

OSE will send email alerts containing information related to the following events for derivative products listed

on OSE:

1. Trading suspension due to system trouble
2. Trading resumption after above trading suspension
3. Delay in publication of settlement prices or SPAN Risk Parameter Files by JSCC
4. Delayed delivery of settlement prices or SPAN Risk Parameter Files after above delay

New Launch MXN/JPN Contract on TFX Click 365

Tokyo Financial Exchange Inc. (TFX) has announced the new release of MXN/JPY (Mexican Peso / Japanese Yen) to FX Daily Futures contract (Click 365). It is currently scheduled to be listed on October 30, 2017. The contract specifications are the same as ZAR/JPY, trading unit is 100,000

and tick size is 0.005 (tick value is 500 JPY).

MXN/JPY has been attracting attention among investors for its Swap Points which is expected to be favorable due to the high interest policy of Mexico, as well as South African Rand and Turkish Lira.

Click Kabu 365 DJIA Margin Contract Marked 1 Year Anniversary

DJIA margin contract (underlying: Dow Jones Industrial Average) passed its 1st year anniversary of listing as an Equity Index Daily Futures contract (Click Kabu 365) on June 27. Volume traded for the year was over 1.4 million, which is the second highest volume after Nikkei 225 contract (un-

derlying: Nikkei 225), representing a share of about 25% amongst the main four listed index contracts including the German DAX and UK's FTSE 100. The underlying price for DJIA has been firm, attracting interest from individual investors.

JBA TIBOR Reform

Starting on July 24, the timing of JBA TIBOR publication was changed from 12 to 1 p.m. In accordance with that change, TFX delayed the time schedule for notifications, such as give-up and take-up, of the last trading day by 1 hour for its Three-month Euroyen Futures. This change is a part of the JBA TIBOR reform which is based on "Reform-

ing Major Interest Rate Benchmarks" published by FSB in 2014. By this revision to JBA TIBOR Code of Conduct, it is expected for TIBOR to become a more reliable benchmark reflecting actual market rate and therefore will help invigorate the Three-month Euroyen Futures.

Asia Cloud Computing Association Event Report

“Japan: Digital Thought Leaders Roundtable on Accelerating Data Flow and Enabling Trade in the Digital Economy”

Roundtable Statement

On June 22, the [Asia Cloud Computing Association \(ACCA\)](#) held a roundtable discussion on the free flow of data in the digital economy in Tokyo, Japan. Topics included Enablers and Opportunities of the Free Flow of Data in the Digital Economy. This closed-door roundtable aimed to provide a vendor-neutral platform for industry leaders and government officials to raise key issues that need addressing in current-day Japan. The roundtable was also for private sector players, cloud service providers and regulators to engage and share information, working together to co-create a conducive space for the free flow of data around the region. ACCA made the following observations and recommendations following the event.

I. Key observations

Observation 1: Data is the new driver of innovation and wealth, i.e. “data is the new oil”

1. The insightful use of data will drive the economy forward: through efficiency, new findings, and innovation.
2. To collect this data, the public must be connected, and there must be a free flow in and out of the country, or be left with insights from only a single country (Japan).
3. Two related sectoral priorities exist for Japan to create GDP growth and cut public expenditure: collecting and analysing data on Japan’s healthcare and medicine sectors. As the population ages, there will be continual growth in healthcare and medicine expenditure, but with the collection and quality usage of data, these expenses can be controlled.
4. Data collection, coupled with a policy of clean and open data – i.e. making the information readable – will help Japan utilise the insights from data better. Many large companies which are benefiting from this have been buying ground-breaking start-ups which deal with data collection and analysis.

Observation 2: Cybersecurity is a continued issue and risk must be managed

1. Cybersecurity is of key importance to ensure the ben-

efits of cloud computing and digitalization of the economy, but global malware attacks such as WannaCry and Petya attacks are increasing, causing businesses to invest in continual cybersecurity upgrades and reassess their risk tolerance.

2. Companies and policymakers discussed how the private sector could coordinate their efforts to ensure security, in order to protect against such threats, such as creating a system of information sharing and proper regulations that allow for the use of cloud computing across various industries.

3. Sharing threat information will help defend against future attacks, and this coordination between private companies will become increasingly vital to help protect the ever growing amount of data that is collected by companies.

4. Of particular note was the agreement amongst participants that data centres continually patch and upgrade their systems faster than the average company or individual, meaning that it has become increasingly safer to house information on a tier 1 data centre rather than hold it on an individual computer.

Observation 3: Regulation should encourage innovation

1. The Japanese government has been on the forefront of digital regulation, with the Ministry of Economy, Trade and Industry (METI) taking the lead. Japan was one of the first countries to sign the APEC Cross-Border Privacy Rules (CBPR) system that creates a regulatory framework for international data protection. This allows for businesses to ensure that their data is secure and protected, even when it is not in the country. The framework is a voluntary accountability-based system to facilitate privacy-respecting data flows among APEC economies to help create economic coordination and growth.

2. Currently, only one Japanese company and 20 American firms are compliant with the agreement, but there is an increased push by the Japanese government to boost both the number of companies participating and the number of APEC economies in the agreement. There are currently five participating APEC CBPR system economies: South

Korea, US, Mexico, Japan and Canada.

3. The Japanese government would like to encourage other governments to adopt the agreement and is looking to hold training sessions in neighbouring countries in 2017 with industry partners.

II. Recommendations

Recommendation 1: Set up a Regulatory Sandbox for Innovation

There are suggestions for the Japanese government to propose sandbox regulatory evaluations to help companies explore data use possibilities. One possible avenue is to encourage innovation in the big data ecosystem through incentives on higher education to study how data can be collected and aggregated in a usable form. Using other countries as a benchmark, regulations imposed on the free flow of data should be meant to encourage economic growth and international coordination.

Recommendation 2: Work with regional regulators to adopt global data standards

There is a need for the government to release sector-based guidance on what data can be transferred across borders and held in the cloud. Currently, without this guidance, there are redundant, cross-sector rules that are being implemented by individual government regulators.

Recommendation 3: Continue to promote the APEC CBPR

The Japanese government should encourage other APEC economies to adopt the guidelines for the CBPR that will protect both foreign and domestic companies when conducting cross-border trade. Regulations that are in line with the CBPR will help companies in Japan comply with the international agreement and boost the number of participants.

FUTURE EVENTS

FIA Japan Cool-Off Summer Party

September 7

FIA Japan will hold its annual summer party at Ark Hills Club on Thursday, September 7. FIA Japan welcomes for its members to bring guests along with them so that our social events can also be utilized for networking. For further information, please contact the Executive Secretary (morizono@fiajapan.org)

Date/Time: Thursday, September 7, 2017 18:00–20:00

Venue: Ark Hills Club

Fee: Member: Free for two representatives. ¥3,000 each for additional attendees.

Non-members: ¥5,000

Gold Sponsors:



FIA Japan Annual General Meeting

29 May, Tokyo

FIA Japan had its 29th Annual General Meeting and reception at the International House on May 29. At the meeting this year, the Budget and Business Plan for fiscal year 2017 and the Dues Structure were passed and approved by the members. New board members including four new directors were approved.

At the reception following the meeting, we welcomed and enjoyed cocktails and buffet with about 120 of our members and guests. After the welcome speech by Chairman Maruyama, Mr. Junichi Nakajima, Deputy Director-General of the Planning and Coordination Bureau, Financial Services Agency delivered a keynote speech on the new regulatory framework for High-Speed Trading in Japan. We then celebrated the induction of Mr. Atsushi Saito, former group CEO, President and Chief Executive Officer of Japan Exchange Group and current Chairman of KKR Japan, and Mr. Yoshio Kuno, founding member and former

Director of FIA Japan, into FIA's Futures Hall of Fame. This was followed by a gift presentation from FIA Japan to FIA in commemoration of the affiliation agreement we signed with FIA in October 2016. Mr. Bill Herder, head of Asia-Pacific for FIA, received the gift on behalf of Mr. Walt Lukken, CEO of FIA. The surprise gift was a Japanese Kabuto (a traditional Samurai warrior helmet)!

Mr. Richard Clairmont, FIA Japan's new President, commented that he would like to leverage the relationship with FIA to add more value to FIA Japan's membership and to further help develop the Japanese market.

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Upper Left: FIA Japan President Richard Clairmont (left) presents a Japanese Kabuto to FIA Head of APAC Bill Herder (right). FIA Japan Vice Chairman Yasuo Mogi stands in the center holding the Affiliation Agreement signed in October 2016 between FIA and FIA Japan.

Upper Right: FIA Japan Vice Chairman Mike Ross comments on the Affiliation (center)

Further Left: FIA Japan Chairman Junichi Maruyama.

Left: Mr. Saito delivers a keynote speech.

FIA 10th Annual International Derivatives Expo (IDX 2017)

More than 1,800 people registered to attend IDX, FIA's annual conference in London, now in its tenth year. This year's IDX, which took place 5-7 June, covered a wide range of regulatory and commercial developments impacting the trading and clearing of derivatives.

FIA President & CEO Walt Lukken kicked off the conference giving remarks that touched on FIA's three principles for healthy markets globally: smart regulation and enforcement; end-users' ability to access markets; and, responsible innovation and fair competition. Lukken's speech also shared FIA's concerns about forced relocation of euro clearing in response to a recent European Commission communication.

Steven Maijoor, the chairman of the European Securities and Markets Authority (ESMA), gave a keynote address. His remarks provided a comprehensive overview of several regulatory initiatives of interest to FIA members, including the supervision of third-country entities, ESMA's role in overseeing trading venues and clearinghouses, and relocations of firms out of the UK to the EU27 group of countries. He also reaffirmed that MiFID II will not be delayed again and will begin to apply on January 3.

The IDX audience also heard from Simon Puleston Jones, FIA's head of Europe. His remarks described FIA's

efforts to convey industry concerns on clearing issues to decision makers across the European political landscape, focusing in particular on the calls for relocating euro-denominated derivatives to the Eurozone. In those meetings, FIA has emphasized the importance of minimizing disruption, avoiding fragmentation, and preserving customer access to markets. Puleston Jones also outlined FIA's work on behalf of members in areas such as MiFID II, clearinghouse recovery and resolution, and a number of other regulatory proposals.

The conference also showcased 50 exhibitors, including eight fintech startups, and generated more than 800 tweets with the hashtag #IDX2017. The conference concluded with a gala dinner at which more than £140,000 was raised for Futures for Kids, a foundation that raises money for charities supporting children around the world. CME Group's Kim Taylor raised a record of nearly £14,000 for the annual "kilt challenge", surpassing the amount raised last year by FIA's head of Asia-Pacific Bill Herder, and setting a high bar for Mark Ibbotson of G.H. Financials, next year's wearer of the kilt.

Check out more highlights on the [FIA website](#) and mark your calendar for next year's International Derivatives Expo, 4-6 June 2018, in London.



Upper Right: Steven Maijoor, chairman of the European Securities and Markets Authority (ESMA), gives a keynote address.

Upper Left: Simon Puleston Jones, FIA's head of Europe, delivering his remarks.

Left: FIA President & CEO Walt Lukken kicking off the conference



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If you have any questions regarding the contents of the newsletter, please contact the Editor (editor@fiajapan.org) or the FIA Japan Executive Secretary.



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 70 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.

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