FIA Japan Newsletter

March 2015

FUTURES INDUSTRY ASSOCIATION JAPAN

CFTC Chairman Massad and FSA Deputy Commissioner Shirakawa Work Hand in Hand

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PRESIDENT'S MESSAGE

Dodd-Frank Redo

Mitch Fulscher, President - CEO, FIA Japan

On February 4-6 FIA joined with SIFMA Asset Management Group and held an important Asset Management Forum in California. Money managers including major institutions and traders, the buy side, met together with brokers and clearing firms, the sell side, to examine the extremely difficult regulatory issues affecting both sides of the market. Some representatives from the regulators participated on the panels. There are problems concerning the regulatory framework stemming from Dodd-Frank and EU regulations, exacerbated by the cross-border complexity within the global market. It is clear that the impact of these regulations will have severe increases of the costs of doing business. Indeed it may change the business models for many of the players and that may also have negative impact on the market structure. For example, the proposed minimum capital rules under Basel III "leverage ratio" will lead to significant cost increases resulting in clearing firms exiting the business and diminishing liquidity in key markets, such as the important Eurodollar futures contract, if the rules are not revised. Another area concerns the reporting requirements for OTC positions and the need for consistent criteria, formats, and systems and definitions. This area is still not resolved. The FIA / SIFMA Forum is a good example of market players and industry leaders meeting together to understand and develop solutions and provide the input to regulators on a timely basis. As discussed further in this newsletter, FIA Japan will hold its own financial market conference May 12-13, bringing industry leaders and regulators together in Tokyo.

The financial market reform in the US was driven by the Government following the Lehman crisis. It was an immense undertaking that industry leaders warned was far too rushed with inadequate expert study. The issues now arising result from this haste. Meanwhile some members of the US congress are arguing for rolling back some aspects of the Dodd-Frank law. Even within the CFTC, one of the new Commissioners released a white paper asking for a radical overhaul and simplification of the swaps market reform as there are aspects that are not consistent with the intent of the law itself. Indeed this is a challenging time for all. Let's not hesitate to make changes that are reasonable and appropriate after considering the realities of the market.

CFTC Chairman Visit to Tokyo

On January 21, FIA Japan hosted CFTC Chairman Massad and FSA Deputy Commissioner Shirakawa for a special presentation to our members. The CFTC is reaching out to international regulators to achieve cross-border harmonization. Chairman Massad discussed the financial market global reforms and emphasized his priority and confidence in achieving this harmonization. His visit with Japan's regulators is part of an Asian series of meetings with regulators in this region. Indeed he understands and is committed to working together with international regulators. We are very pleased and impressed with this important initiative at this critical time.

"CFTC Chairman Massad Comments on Regulatory Changes and International Cooperation"

Timothy Massad
Chairman, Commodity Futures Trading Commission

Timothy Massad was sworn-in as Chairman of the Commodity Futures Trading Commission on June 5, 2014, after being confirmed by the United States Senate as Chairman and as a Commissioner of the CFTC. Previously, he was nominated by President Obama and confirmed by the US Senate as the Assistant Secretary for Financial Stability at the US Department of the Treasury. In that capacity, Mr. Massad oversaw the Troubled Asset Relief Program (TARP), the principal US governmental response to the 2008 financial crisis designed to help stabilize the economy and provide help to homeowners. Mr. Massad was responsible for the day-to-day management and recovery of TARP funds.

Prior to his government service, Mr. Massad was a partner in the law firm of Cravath, Swaine & Moore, LLP, where he had a broad corporate practice with a focus on corporate finance and financial markets. He helped to draft the original standardized agreements for swaps and helped many businesses negotiate and execute transactions to hedge exposures in the derivatives markets. Mr. Massad earned his bachelor's and law degrees at Harvard.

FIAJ：Since you were appointed Chairman of the CFTC last year, many people have recently made very positive comments about the change in "tone" at the top. How would you compare the current Commission from the one you joined last June? Have there been any changes in policies or within the organization?

I think the difference is where we are in the process of implementing reform. The challenges we face today are different from those the agency faced a few years ago. Former Chairman Gary Gensler and the commissioners that served before me deserve a tremendous amount of credit for creating a regulatory framework for swaps in a short time frame as directed by Congress. I also want to commend the hardworking staff of the CFTC who logged long hours at night and on weekends to accomplish this task.

"We have made great progress in bringing the swaps market out of the shadows."

We have made great progress in bringing the swaps market out of the shadows. In response to the financial crisis, the U.S. worked with the other G-20 nations to agree on key reform goals, and we quickly put those into law--central clearing, market oversight; transparent trading; and data reporting.

Clearing through central counterparties is now required for most interest rate and credit default swaps. About 75% of the market, measured by notional amount, is cleared, compared to about 15% in December 2007. We have increased oversight of major market players through our registration and regulation of swap dealers – more than 100 are now provisionally registered – and major swap participants. Swaps transactions must now be reported to registered swap data repositories, providing data which brings price information and increased transparency that benefits market participants, the public, and regulators.

Transparent trading of swaps on regulated platforms has begun. In sum, we have made a good deal of progress.

But there is much more to do in all these areas. Our rules are new. We are still phasing in some requirements. As we gain experience with their application in the marketplace, we will see what works well and what doesn't, and we will fine-

" About 75% of the market, measured by notional amount, is cleared,"

tune the rules as appropriate. And there is substantial work to be done to harmonize rules across national borders as much as possible. Those of us serving on the Commission today can focus on things like fine-tuning these rules because the framework was already in place.

FIAJ：The Dodd-Frank legislation placed a huge mandate on the regulators to enact a major overhaul of the entire financial marketplace in the US. The requested timing for enacting comprehensive regulations under the law became an impossible challenge for regulators and market players. We understand that some members of Congress are now considering amending or rolling-back some aspects of the law. What are your thoughts and expectations about this movement?

Well, I have good relationships with members on both sides of the political aisle, but I cannot speak for what the Congress will or will not do. What I can do is explain what we are working on right now. We will continue to implement the reforms adopted by Congress, and we will fine tune our rules as necessary as the market develops.

FIAJ：The global regulatory framework is taking shape after the Lehman crisis. Reforms are well under way in both the US and Europe, some of which include extraterritorial rules that deeply affect markets and market users. Currently an international problem exists between the US and EU with regard to rules with respect to clearinghouses and the possible need to register non US clearinghouses with the CFTC and vice versa. The issue relates to the subject of mutual recognition and acceptance of each other's rules and determining "equivalence". What is your view about this issue and its likely resolution?

We are having a good dialogue with the EU on this and other issues and we will continue to work together toward harmonizing rules as much as possible. What people often do not understand is that we have been cooperating on clearinghouse supervision for many years. We have had clearinghouses located in Europe registered with us and subject to our supervision for some time—since 2001 in the case of the largest global clearinghouse for swaps. This model has worked to protect customers, it worked during the crisis, and it is a model on which the market has grown to be global. We've worked out arrangements over the years so that there aren't conflicts between our requirements and European requirements in practice. What we are discussing today is simply ways to formalize all that.

Clearinghouses are more important than ever in the global financial system. And so I think this approach of cooperative oversight, which has worked well in the past, also makes sense for the future.

> ***"We've worked out arrangements over the years so that there aren't conflicts between our requirements and European requirements in practice. What we are discussing today is simply ways to formalize all that."***

We are also focused on margin for uncleared swaps. I am pleased that the proposed rules being considered by the U.S., Europe and Japan are reasonably consistent and we are continuing to work together to minimize differences as much as possible.

FIAJ：The recent volatility of the Swiss Franc FX rate has resulted in financial issues and bankruptcy in a number of firms. This puts a focus on the regulatory oversight over the FX non-exchange markets. Currently the US Treasury excludes FX forwards and swaps from mandatory clearinghouse requirements. Should this exemption be re-considered? What is your view on this sector?

I think it's important to separate the issue of the rules that govern some of these FX dealers versus the issue of whether FX forwards should be cleared. As you noted, on the latter issue, the Treasury has already made a determination.

The change in the Swiss Franc was a highly unusual event. No U.S. dealer went bankrupt because of it, however. Together with the National Futures Association, we closely monitored one firm that needed a capital infusion. We made sure that they didn't take any action which could have harmed customers while they were negotiating for that capital and made sure the capital covered customer obligations. The NFA has revised some of their rules to better protect customers in light of these events, and we are continuing to work with them to determine if further changes are needed.

"We are also focused on margin for uncleared swaps. I am pleased that the proposed rules being considered by the U.S., Europe and Japan are reasonably consistent"

FIAJ：Japan's Prime Minister Abe and his stated Strategy to re-vitalize the financial market clearly states the government's goal to take a leading position as the financial center for Asia. Actions are underway by the government and the Regulators to help make this happen. As someone who lived and worked in the Hong Kong financial center for a number of years, what is your reaction to this initiative and what suggestions would you make to Japan to help them succeed in this regard?

Please permit me to decline, as it is not my place to comment on the policies of Prime Minister Abe's government. I will simply say that the relationship between the U.S. and Japan is fundamentally important to us, as are ways that we can work together on economic issues and issues of financial regulation. The CFTC has an excellent relationship with Japanese derivatives market regulators and we will continue to work closely with them on issues of common concern, as we will with other regulators throughout Asia.

Regulatory News

Commodity Regulators Revise Ministerial Ordinance To Relax Customer Solicitation Rules

On January 23, the Ministry of Agriculture, Forestry and Fisheries (MAFF) and the Ministry of Economy, Trade and Industry (METI) promulgated a Ministerial Ordinance to partly amend the Ordinance for Enforcement of the Commodity Derivatives Act with regards to the ban on unrequested solicitation (i.e: rules banning solicitation by phone or through visits to customers who haven't requested it). This new Ordinance will be enforced on June 1.

The Ordinance covers three main points. First, it extends the number of cases exempted from the solicitation rules. Prior to this amendment, a broker had been permitted to solicit its clients who already trade Forex or Nikkei 225 futures and the like. The amendment makes it now possible to also solicit customers of other brokers who already trade such financial products, or even customers only experienced in stock margin trading.

The second point is the incorporation of thorough checks to verify the customer's understanding of investment risks before and after the signing of a contract. Concretely, before the signing of a contract, the broker must verify the customer's understanding of trading risks by implementing an actual test. Following the signing of a contract, a number of additional special measures are requested.

The third point is the clearly stated harsh punishments to be taken against unscrupulous law violators: businesses will see their licenses revoked and sales representatives will be banished permanently.

The Chairman of the Japan Commodity Futures Industry Association (JCFIA), Mr. Kazumi Okachi, made the following comments: "The commodity industry had requested a full abolition [of the solicitation ban], but it didn't materialize. However, and even if it is still difficult, we value the fact that an active sales approach is now permitted thanks to the relaxation of some parts of the rule. The manner in which one can approach investors has been enlarged. This is a big step and we hope that it will translate into a larger range of investors."

EU Regulatory Update: Derivatives Under MIFID II

On December 19, the European Securities and Markets Authority (ESMA) published several documents that define a large number of critically important rules affecting European securities and derivatives markets. In light of the importance of these rules, FIA and FIA Europe are issuing a series of special reports with descriptions of key issues for participants in the global markets for listed and cleared derivatives. A Special Report, the second in the series, provides an overview of ESMA's proposals on the trading obligation for derivatives and the definition of "liquid market" in relation to the transparency requirements for derivatives. Click Here for Full Report.

FIA Japan Financial Market Conference 2015
- Japan Mission: Primed to be the Top Market in Asia -

On May 12-13, Futures Industry Association Japan (FIA Japan) welcomes you to join industry leading experts at the FIA Japan Financial Market Conference 2015 to be held at the prestigious Palace Hotel in Tokyo. We are building on the tremendous success of the previous event held in 2012, which attracted more than 400 attendees from the Japanese and international financial market community. The 2015 conference will address the key issues, challenges and opportunities impacting both the global and Japanese trading environment today.

The conference will focus on the following points:

(1) "Japan's Unique Position in Asia – the Growth Region": Japan is the only Mega Economic center in Asia meeting global standards with the size of its economy, its open markets, its totally reliable legal system and "rule-of-law". All of the significant requirements are present.

(2) The "New Government Attitude": the government and regulators have a "new attitude" and are working to take the actions for Japan to assume its proper role as Asia's leading Financial Center.

The FIA Japan event has the support of FSA, MAFF, METI and the expected support of Tokyo Metropolitan Government. For further details, including program and sponsorship opportunities, please visit the FIAJ conference webpage.

We are looking forward to seeing you in Tokyo in May!

TOCOM Granted FBOT Registration by CFTC

Tokyo Commodity Exchange, Inc. (TOCOM) received an Order from the US Commodity Futures Trading Commission (CFTC) granting TOCOM's application for registration as a Foreign Board of Trade (FBOT) under the US Commodity Exchange Act on January 20. FBOT registration permits TOCOM to provide its Members and market participants located in the US with direct access to its electronic order entry and trade matching system.

A Foreign Board of Trade registered with the CFTC must demonstrate that it meets regulatory requirements comparable to those required of US futures exchanges. Further, the CFTC must determine that the FBOT's regulatory authorities support and enforce regulatory objectives that are substantially equivalent to the CFTC's objectives, in particular with respect to market integrity, customer protection, clearing and settlement and the enforcement of the rules of the FBOT and its clearing organization.

TOCOM President & CEO Tadashi Ezaki commented: "We are proud to receive FBOT registration, which confirms the soundness and reliability of our exchange and our market and will enhance confidence in TOCOM as the exchange of choice for trading commodities in Asia. As a result of our efforts to increase our global competitiveness, we have seen a significant increase in market participation from overseas, which has reached as much as 46% of total volume. We are poised to use the FBOT registration to further expand global participation from the US."

China Moving Towards Opening its Markets to Foreign Investors

According to several reports in the media, on December 31, the China Securities Regulatory Commission (CSRC) issued proposed guidelines that would permit, under certain conditions, access to the Shanghai Futures Exchange Crude Oil contract by foreign investors and brokerages. The draft rules were open for consultation until January 31. This step follows the implementation of the QFII system, which already allows Qualified Foreign Investors to participate in the market up to certain thresholds, as well as the creation of Free Trade Zones, and brings China one step closer to openings its markets to global players.

FIA Japan Seminar

Special Presentation
by CFTC Chairman and FSA Deputy Commissioner

FIA Japan held a seminar with special presentation by CFTC Chairman Massad and FSA Deputy Commissioner Shirakawa on January 21 at Tokyo American Club. The seminar attracted more than 120 attendees, including FIAJ members, their guests and regulatory agency representatives.

Chairman Massad was visiting Asian regulators and industry leaders to discuss the importance of financial market regulatory reforms now underway on a global basis. He spoke on the importance of global swaps reform, progress on the G-20 commitments and challenges, clearing house oversight, market data, trading rules and cybersecurity (click here to read his complete remarks).

Mr. Massad concluded by saying: "Markets thrive where there is confidence and integrity. In the long term, this requires transparency and good regulation. Japan and the US have strong traditions in this regard. The global community has made good progress generally, but there is more to do. I look forward to continuing our work together on that task, and to creating a foundation that will allow all of our markets to thrive, and our economies to grow."

Chairman Massad also announced that the US Commodity Futures Trading Commission (CFTC) had issued an Order granting TOCOM's application for registration as a Foreign Board of Trade (FBOT) under the US Commodity Exchange Act. FBOT registration permits TOCOM to provide its Members and market participants located in the US with direct access to its electronic order entry and trade matching system.

Mr. Shunsuke Shirakawa, Deputy Commissioner for International Affairs of FSA, made a presentation on OTC derivatives market reforms, focusing on international discussions and implementation in Japan by FSA as a part of the international reform movement.

After the presentations and Q&A session, participants enjoyed networking time with refreshments.

Sponsors: TOCOM Tokyo Commodity Exchange; JPX JAPAN EXCHANGE GROUP

Upper left: CFTC Chairman Massad
Center: FSA Deputy Commissioner Shirakawa
Upper right: METI Director-General Terazawa

CFTC Chairman Massad with FSA Deputy Director-General Ono (left) and METI Director-General Terazawa (right)

Market Development Committee

Chairman Yoshio Kuno

MDC to discuss 2015 list of priority issues

As we will soon be in the new Fiscal Year, MDC will discuss priority issues for FY 2015. The possible issues, subject to MDC meeting decision, include the following:

1) Options Market Development

While Japanese investors have enough experience in dealing with derivatives, exchange traded options markets have yet to develop better.

・First, do options product fit the needs of Japanese investors (both institutional and retail)?

・What actions can help to make exchange-traded options grow in Japan?

・Is our industry making enough efforts?

2) Re-visit Comprehensive Exchange Issues

FIA Japan has been following the "Comprehensive Exchange" initiative for several years now. The legislative process has been completed for some time, but we have yet to see this actually happening in our market.

・Do investors really need a comprehensive exchange?

・Does a comprehensive exchange provide real benefits to investors?

Technology Committee

Chairman Bruno Abrioux

The FIA Japan Technology Committee has recently focused on analyzing some of the technology trends and developments impacting the financial services industry.

First, a questionnaire on the technology risks intrinsic to electronic trading, or more precisely Automated Trading Systems, and the way to address those is currently being worked on by some of our members. This work will also try to capture recommendations and views on the increasing use of unstructured data in trading decisions or self-learning algo and how to control (if not alleviate) the related risks. We target to release the first results of this work for the new Japanese fiscal year.

Secondly, cloud services applied to the financial services industry has also been a growing topic of interest. We partly covered this topic in the previous newsletter issue and in our committee meetings. We plan to expand this discussion through a panel at the coming FIA Japan Financial Market Conference 2015. Stay tuned!

Last but not least, cybersecurity has topped the chart of systemic risk concerns for many financial institutions. The FIA Japan Technology Committee has therefore decided to offer a brief summary of the past years effort in US and Japan to tackle this growing global concern.

Our committee will now focus on creating its action roadmap for the coming Japanese fiscal year. We look forward to sharing exciting news and updates in the coming weeks and months and always welcome any suggestions you may have.

Membership Committee

Chairman Izumi Kazuhara

FIA Japan welcomed Touchfire Trading as a new member in Q4 2014 and also one other individual Member. In January 2015, the Board approved the membership application by the global law firm Greenberg Traurig. Several meetings were held during this period with financial institutions and vendors who showed interest in membership.

About Greenberg Traurig, LLP

Greenberg Traurig, LLP is an international, multi & full service practice law firm with approximately 1,800 attorneys serving clients from 37 offices globally. Greenberg Traurig newly opened a Tokyo office at the beginning of 2015, which is the firm's third in the Asian region. Greenberg Traurig Tokyo Law Offices will be operated by Greenberg Traurig Horitsu Jimusho, an affiliate of Greenberg Traurig, P.A. and Greenberg Traurig, LLP.

The Tokyo office will be led by an award-winning team of English-speaking Japanese lawyers who understand the local culture and practical aspects of Japanese business and have a track record of solving clients' most critical problems.

Commodity Study Group

Group Leader Makoto ("Mac") Sugitani

Energy and bulk commodities prices fell to their recent low levels resulting from slower demand worldwide toward the end of last year. Energy prices in particular are the biggest concern in our daily life, and for all trading in financial and equity markets as well. TOCOM is not an exception and has been affected positively in terms of trading volume. The three main energy contracts [Gasoline, Kerosene, Crude Oil] saw their volume pick up by 1.7 folds in the last quarter compared with the previous three quarters of 2014. Precious metals also received increased business interest and market volatility picked up, helping to recover the overall volume for the year.

The Commodity Study Group (CSG) gathered in January 2015 to review the market environment for last year, and to share ideas on the issues to tacke for this year. CSG would like to convey the voice of the market with regards to derivatives business consolidation, as well as the changes in rules and regulations on stringent compliance and risk control measures.

On the business and marketing front, we wish to focus on the new market trends in Asia and trading from China, as we observe increasing trading needs from mainland China to the world commodity markets. The new HK-based kilo gold contract launched by CME in January could also provide players in Asia with the opportunity to trade for arbitrage. In 2015, the markets in China are finally expected to be more accessible, though still at a slow pace, and the Free Trade Zone may open a bridge with international markets. CSG will keep a close eye on developments in the region.

Exchange News

Japan Exchange Group (JPX)

Started Calculation and Publication of Currency-Hedged JPX-Nikkei Index 400

JPX, TSE, and Nikkei have begun calculating six currency-hedged indices of the JPX-Nikkei Index 400 to respond to the needs of foreign investors. The calculation for the new indices (JPX-Nikkei 400 Net Total Return EUR Hedged Index, USD, GBP, Daily EUR, Daily USD, and Daily GBP Hedged Index) started on January 26.

Since its listing on November 25, 2014, JPX-Nikkei 400 Futures has been widely traded among various types of market participants. Average Daily Volume in 2014 (since its listing date) was 64,253 contracts, exceeding the Mini-TOPIX Futures. In addition to the market making program available since its listing, OSE will introduce another market making opportunity dedicated to the night session hours, in order to further enrich liquidity during the UK/US trading hours.

Revises No-Cancellation Rule

On January 13, OSE implemented a “Partial Prohibition of Order Cancellation Prior to Call Auctions (No-Cancellation Rule)” with additional measures. This will enhance protection of the market and contribute to a healthy price discovery in the call auction. Under this new No-Cancellation Rule, OSE will further monitor market participants’ cancellation-execution ratio in the call auctions for a period of one week. Said ratio will be calculated by dividing cancellation quantity with execution quantity. In the case where a market participant exceeds a ratio of 3 during 1/4th or more of the call auction within a given week, he will be requested to provide detailed explanations on trading and cancellations.

2014 Derivatives Market Highlights Now Available

OSE published JPX Derivatives Market Highlights for the first half of the year 2014. The flyer covers detailed information of all derivatives products listed and available in OSE.

JSCC Revisions of 20-Year JGB Futures Settlement Price

JSCC will revise the calculation methodology of the settlement price for 20-year JGB futures. The new methodology will take place from March 2, 2015. The new methodology, focusing on the mid-bid/ask price rather than the execution price, will better reflect the market, which is aimed to improve convenience for market participants.

*Note: Calculation methodology for 10-year JGB Futures will remain unchanged. On the last trading day, the method for setting the settlement price shall be the same as the current manner.

Calculation methodology from March 2, 2015

1.The last contract price executed after 14:50 in the auction trading on the trading day (excluding contract prices under Strategy Contract);

2.The price determined by JSCC based on the best bid-and-ask price as of 14:58 on the trading day;

3.The last contract price in auction trading (excluding trading in the Night Session) on the trading day; or

4.The theoretical price calculated by JSCC based on the average price of the Reference Statistical Prices for OTC Bond Transactions published by the Japan Securities Dealers Association on the previous day.

Tokyo Financial Exchange (TFX)

Currency Futures Market Study Group

Tokyo Financial Exchange Inc. (TFX) announced that it has set up a study group regarding the possibility of establishing a currency futures market and its first meeting was held on December 8 last year. Amidst ongoing over-the-counter (OTC) derivatives regulatory reforms globally, several exchanges around the world have launched new futures markets for currency related transactions. TFX will explore the possibilities of establishing a currency futures market in Japan, taking into account opinions and views from market participants and experts in the field through the study group discussions.

Aiming to List Turkish Lira – Japanese Yen Currency Pair

On January 19, TFX announced a plan to list a Turkish Lira/Japanese Yen currency pair on its Exchange Forex Margin Contracts market (Click 365). While taking into account various aspects, such as trading members' readiness, TFX aims to launch the new product by the first quarter of the fiscal year 2015 (starting in April 2015). The trading unit of the new product will be 10,000, with a tick size of 0.01 (minimum tick value: JPY100). There has been high demand for trading Turkish Lira from investors due to its high swap point stemming from the country's high interest rates. The currency is considered as one of the « hot currencies » among emerging economies. TFX determined that it could provide a stable trading environment for the investors as the liquidity of Turkish Lira in the global foreign exchange market has been improving.

Tokyo Commodity Exchange (TOCOM)

Revised Contract and Delivery Units of Soybean Futures

On January 8, TOCOM received regulatory approvals from the Ministers of Agriculture, Forestry and Fisheries and Economy, Trade and Industry to revise the contract and delivery units of Soybean futures. The contract and delivery units will be changed from 10,000 kilograms to 25,000 kilograms respectively to improve the market and to meet participant needs. The change will take effect as of the beginning of the night session on April 15, 2015 when the April 2016 contract month is generated.

Chicago Mercantile Exchange (CME)

Launched Hong Kong Deliverable Gold Kilo Futures

CME Group launched a physically delivered Gold Kilo Futures contract (contract code GCK) on 26 January. The contract, which is listed on COMEX, is similar to the structure of the benchmark 100 troy ounce Gold Futures contract (GC). It is tied directly to 9999 gold prices in Hong Kong and can be physically delivered in COMEX-approved Hong Kong vaults, providing access to round-the-clock price discovery for the Asian gold market. Being listed on COMEX allows customers to take advantage of deep margin offsets against other products. The contract is available for trading electronically via CME Globex and for clearing through CME Clearport. At present, the COMEX-approved vaults in Hong Kong are Brink's Incorporated and Malca-Amit Far East Limited.

By Bruno Abrioux, FIA Japan Technology Committee Chairman

News Flash: "US Equity Market Down Following Multiple Cyber Attacks"

“The US stock market has just been hit with multiple simultaneous cyber-attacks that have affected market transactions in a chain reaction, culminating in a market shutdown.” That was on July 18, 2013 at a simulation program organized by SIFMA, the US Securities Industry and Financial Market Association. This exercise scenario, also known under the code name “Quantum Dawn 2”, gathered participants from more than 50 organizations (including financial institutions, the Department of the Treasury, securities exchanges, the Department of Homeland Security (DHS), the Federal Bureau of Investigation (FBI) and the Securities and Exchange Commission) and aimed at testing the readiness and resilience of critical structures from the financial services ecosystem faced with cyber-attacks.

Looking at the news since then, it is clear that cyber-threats of all nature have become a growing concern for the financial services industry, which has been victim of an increasing number of cyber-crimes all around the globe over the past years. It is thus with no surprise that the DTCC (Depository Trust & Clearing Corporation) Systemic Risk Barometer released in October 2014 revealed that cyber-threats were among the top 5 concerns of 84% of their survey respondents, with 33% of respondents ranking it as the number 1 risk out of 20 choices… Surveys from other industries would give more or less the same picture: in a world of interconnected systems and at the dawn of the Internet of Things (IoT; defined by some as "a proposed development of the Internet in which everyday objects have network connectivity, allowing them to send and receive data."), cyber-security should definitely top the agenda of corporations and governments (not to mention you and me as “connected” individuals). This is probably what has prompted both the US and UK to plan joint “war game” cyber-attacks exercises as announced on January 16, starting with a scenario targeting the City of London and Wall Street that involves the Bank of England and commercial banks.

In Japan, the NISC (National center of Incident readiness and Strategy for Cybersecurity) built an ASEAN-Japan Collaboration on Information Security in 2009 and proposed a “Cybersecurity Strategy - Toward a world-leading, resilient and vigorous cyberspace” in June 2013. More recently, in May 2014, the Japanese government has also worked on a strategic partnership agreement with Europe, proposing a closer cooperation on cyber-security matters. As far as the financial industry is concerned, the Japanese Center for Financial Industry Information Systems (FISC) has been regularly publishing revised versions of its “FISC Security Guidelines on Computer Systems for Banking and Related Financial Institutions”, the latest version being dated March 2011. A year ago, in February 2014, it also issued a “Report of the Council of Experts on Countermeasures Against Cyber Attacks on Financial Institutions”.

All of these actions are for sure necessary steps but no silver bullets… It remains up to every organization to keep the cyber-security agenda at the top of its priority action list.

Opinion Column

By Chika Nakamura, ABN Amro Clearing

"Open Markets Make for Diversity and Dynamics"

The famous Sumo Champion, Hakuho, won his 33rd title in the Tokyo tournament in January 2015, setting a new record for most wins. We know he will continue his remarkable achievements to the next level. His efforts and humbleness attract fans and audiences to the Sumo wrestling tournament, not only as entertainment but also as a Japanese national sport. In fact, we have three Yokozunas (highest rank of champion), including Hakuho, who were born and raised outside of Japan. They were well received as role models in Japan as hardworking fellows.

Sumo wrestling has been as well known around the world as sushi, both of which are part of Japanese culture and tradition. Therefore, some people might feel awkward when foreigners win lots of titles and dominate tournaments for quite long periods of time. On the other hand, it is true that they are a key to the rest of the world, helping raise interest in Japan from a large number of people.

The exchanges are also becoming a place for all types of investors to trade with one another. The diversity and variety of investors brings dynamics and depths to the markets. The equal opportunities offered within all the asset classes and among various people eventually brings benefits back to the exchanges and to all market participants equally. This is common sense historically for western exchanges; however, it is becoming more of a standard for Asian exchanges. They have opened up into various sectors and nationalities.

China has started the Hong Kong-Shanghai connectivity since last November. This was a remarkable change for the Chinese community and it could affect markets around the world. China realized the importance of diversity and variety of participants in the market, in order to reflect the dynamics of its economy.

FIAJ recognizes that the focus in the APAC region has not only been on Japan, but on China as well. There are quite a large number of investors looking into China rather than Japan because it is a new market with a significant potential for growth. Japan should consider this as a regional stimulator and take advantage of this opportunity to bring more participants into the Japanese market. The role of FIAJ has been one of an advocate for an open market, increased competition, transparency and fairness. We will continue our contribution to the growth and the expansion of the Japanese market.

Future Events

Boca 2015 - 40th International Futures Industry Conference
March 10-13 Boca Raton, Florida

Each spring the FIA hosts its annual meeting in Boca Raton, Florida where industry leaders from around the world gather to discuss current issues and exchange ideas. Public policy leaders including Senators and Congressmen, regulatory officials, and Congressional staff are an integral part of the program. FIA Japan Officers will also be present and available to discuss the details of our own Tokyo conference in May (contact: info-fiaj@fiajapan.org)

16th Japan International Banking & Securities Forum 2015
February 24 Royal Park Hotel

This forum, which is supported by FIA Japan, will present panelists who are industry experts and at the forefront of the current status and challenges for the financial and capital markets. Topics for the panel discussions will include OTC Derivatives.

Market Forum 3rd Annual Trader Event
February 27 Osaka

Market Forum, a nonprofit organization run by domestic Japanese traders whose purpose is information exchange and education, will host its 3rd annual event in Osaka on February 27. About 100 persons involved in the financial industry are expected to gather. Part one of the event will be a discussion between a professional equity trader and a successful semiprofessional individual trader. Part two will include cocktails with presentations and exhibition stands of the sponsoring companies.

FOW Derivatives World Asia, Hong Kong
March 25-26 Renaissance Harbour View Hotel, Hong Kong

FOW will return to Hong Kong for the 22nd Annual Derivatives World Asia. Join over 650 delegates to hear the latest thinking on the Chinese and Asian derivatives markets. Day 1 will be a general Asia day looking at the effects of international regulation, new growth markets and exciting contract launches with Day 2 focusing on developments in the Chinese derivatives market. At the end of the opening day of the conference, FOW will host its first annual gala dinner in Hong Kong. A great chance to catch up with peers and clients whilst experiencing a night of entertainment and magic.

Past Events

FIA / SIFMA Asset Management Forum

FIA joined with SIFMA Asset Management Group to host a very timely conference focused on the critical derivatives issues facing asset managers (buy-side) as well as the brokers and CCPs serving them. About 300 delegates attended the Asset Management Forum held at the St. Regis Hotel in Dana Point California on February 4-6, 2015.

The international regulations stemming from Dodd-Frank and EU regulations have an enormous effect on the operations of these institutions. There was a very frank dialogue between the buy-side and the sell-side about the complex regulatory issues which are having the effect of changing the business models of organizations serving this industry due to the operational difficulties and costs arising from these regulations. A number of ideas and suggestions were explored to work toward solutions that can benefit the marketplace.

FIA Japan New Year Party

FIA Japan held its New Year Shin-Nen-Kai Party on January 15 at the Ark Hills Club. Over 100 people attended the party. Among the guests, several officials from FSA, METI and MAFF and many other VIPs were present. During his welcoming comments, FIAJ Chairman Maruyama focused on the May Conference and noted that it will be a busy but fulfilling year for our Association. Vice-Chairman Mogi added that we all need to work together towards the goal of making our conference a success and participants toasted to that remark.

Gold Sponsors:

JPX JAPAN EXCHANGE GROUP

TFX TOKYO FINANCIAL EXCHANGE

TOCOM Tokyo Commodity Exchange

Nasdaq



Clockwise from top left: FIAJ President - CEO Fulscher; FIAJ Vice Chairman Mogi; FIAJ Chairman Maruyama


Over 100 attendees enjoyed the FIAJ New Year party

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

FIA Japan Financial Market Conference 2015 - Organization and Final Preparations

The FIA Japan Office has been supporting various efforts to prepare for our Tokyo conference planned on May 12-13 this year. A dedicated Task Force has been set up under the leadership of KVH CEO Ted Higase and has been meeting regularly. The Task Force is organized into numerous Sub-committees, including the Sponsorship Sub-committee headed by FIAJ Chairman Maruyama and the Program Development Sub-committee chaired by Mr. Kuno of JPX. As we move closer to the event date our preparations are being finalized, and we have received high interest from both sponsors and potential first-class speakers to participate.

In addition to the FIAJ group of industry professionals, we have hired a local event organizer, ICS Convention Design, to serve as the Secretariat for the conference and help us with venue arrangements, registration process, sponsorship solicitation etc. (Contact: Mr. Takasaka; fiaj@ics-inc.co.jp). Sponsorship opportunities for this unique event are still available and include advertising slots in our 2015 Conference Special Edition to be distributed at the event in May (for more details, including programing, cick here to download the Sponsorship Package). Even though we will accept sponsors until end-of-March, earlier sign-ups will have increased marketing exposure through the different promotional documents we plan to release in the time leading up to the conference. Note that we will open the participant registration process in mid-March on the conference website and that members of any FIA entity will have access to the Member rate (additional early-bird rates will also apply).

Don‘t miss this unique opportunity to deepen your insights on the Japanese markets and to reach out to a cross-section of the entire derivatives industry in Japan!

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FIA Japan

FIA Japan Financial Market Conference 2015

～Japan Mission: Primed to be the Top Market in Asia～

Tue., May 12 – Wed., May 13, 2015
Venue: Palace Hotel Tokyo

On May 12th-13th, Futures Industry Association Japan (FIA Japan) welcomes you to join industry leading experts at the FIA Japan Financial Market Conference 2015. We are building on the tremendous success of the previous event held in 2012, which attracted more than 400 attendees from the Japanese and international financial market community. The 2015 conference will address the key issues, challenges and opportunities impacting both the global and Japanese trading environment today.

The conference will focus on the following points:

(1) "Japan's Unique Position in Asia – the Growth Region": Japan is the only Mega Economic center in Asia meeting global standards with the size of its economy, its open markets, its totally reliable legal system and "rule-of-law". All of the significant requirements are present.

(2) The "New Government Attitude": the government and regulators have a "new attitude" and are working to take the actions for Japan to assume its proper role as Asia's leading Financial Center.

Event :	**FIA Japan Financial Market Conference 2015**
Date & Time:	**Tue. May 12, 17:30～ / Wed. May 13, 8:45～**
Venue :	**Palace Hotel Tokyo**
Delegates :	**400～500 people** **Senior Management, Traders (incl. HFT), Financial Institutions, Pension Funds, and Others from Japan/ US/Asia/Europe**
Host :	**Futures Industry Association Japan (FIA Japan)**
Support from:	**FSA, METI, MAFF, and Tokyo Metropolitan Government (Expected)**

Financial Services Agency METI Ministry of Economy, Trade and Industry MAFF Ministry of Agriculture, Forestry and Fisheries

Organizer : **ICS Convention Design, Inc.**

Simultaneous translation provided

Day-1

Presentation by Exchanges - JPX, TFX, TOCOM
Keynote Speech "Tokyo Global Financial Center" by Office of the Governor of Tokyo
Reception Party

Day-2

Full Day Conference - Presentations and Panel Discussions by Senior Government Officials from FSA and METI, BoJ, Investment Funds and HFTs, Jesper Koll - Economist, Walter Lukken - President & CEO FIA Global, and other industry leaders.

For sponsorship opportunities, please contact us here:

Contact : Secretariat of FIA Japan Financial Market Conference 2015
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Visit our webpage for details: http://www.gmac.jp/fia2015/en/index.html