

Japan Securities Depository Center, Inc. (JASDEC)

JASDEC DVP Clearing Corporation (JDCC)

September 28, 2012

Committee on Payment and Settlement Systems

International Organization of Securities Commissions

Comments on the CPSS/IOSCO Consultative report, "Recovery and resolution of financial market infrastructures"

1. Introduction

Japan Securities Depository Center, Incorporated (JASDEC) is an institution authorized by the Prime Minister and the Minister of Justice to undertake book-entry transfer business under Act on Transfer of Bonds, Shares, etc. JASDEC was established as a non-profit foundation in 1984, and in 2002 became a joint stock corporation. JASDEC's book-entry transfer system currently includes stocks, commercial paper, corporate bonds and investment trusts, and the organization also handles such activities as custody services for foreign stocks, etc. and pre-settlement matching.

JASDEC DVP Clearing Corporation (JDCC) is a clearing house for transactions in financial products, authorized by the Prime Minister under the Financial Instruments and Exchange Act. Since May 17, 2004 JDCC has functioned as a financial products clearing institution to undertake clearing services for DVP settlement services for non-exchange transaction deliveries handled by JASDEC.¹

This document contains our comments on the CPSS/IOSCO Consultative report, "Recovery and resolution of financial market infrastructures", released on July 31, 2012. We would like to express our gratitude for being given the opportunity to participate in the consulting process.

At JASDEC and JDCC, we greatly respect the continuous efforts being made by CPSS-IOSCO to contribute to financial market stability. We hope that the methodology for using the Assessment Methodology and Disclosure Framework will be introduced in an effective format.

¹ JDCC is a wholly owned subsidiary of JASDEC.

2. Comments

(1) Allowing for differences in countries' legal systems, types of FMI and FMI systems

We think it is necessary to reflect the differences that countries have in their legal systems and types of FMIs, as well as the diversity and discrepancies between each FMI system.

For example, corporate bankruptcy laws and procedures are different in each country, and CSDs and CCPs differ in their characteristics as FMIs. Moreover, the risk profiles of CCPs also differ, in that some handle complex derivatives and others only handle cash equities. Further, CCPs differ in the way they handle uncovered credit losses.

In the Report, there is a separation between FMIs that take credit risk and those that do not. However, FMIs actually differ in even more diverse ways than this, and the Report is not written in a way that reflects this diversity.

Accordingly, we think that in the general section or other appropriate place, it is necessary to include something along the lines of, "Regulatory authorities in each country may establish policies for FMI recovery and resolution from bankruptcy that take into account each country's legal system, types of FMI, specific FMI system and other such factors, so long as the policy does not defeat the aims of the 'Key Attributes'.

(2) Contents, etc. of FMI recovery plans

Given the differences in legal systems in various countries and the different structures of each FMI, it can be envisaged that there will be a diverse range of plans actually developed by FMIs to fulfill their obligations in this regard. For this reason, we believe that it should be clearly stated that a diverse range of recovery plans is allowable.

ENDS

For further information please contact:

Japan Securities Depository Center, Inc.
Corporate Planning Department
Tel: +81-3-3661-0739
E-mail: sougou_kikaku@jasdec.com

JASDEC DVP Clearing Corporation
Department of Business Administration
Tel: +81-3-3661-0181
Email: jdcc@jasdec.com