Japan Securities Clearing Corporation

13 December 2013

Secretariat
Committee on Payment and Settlement Systems
Bank for International Settlements
Sent by e-mail to cpss@bis.org

Secretariat
International Organization of Securities Commissions
Sent by e-mail to qdisclosure@iosco.org

Re: Consultative report – Public quantitative disclosure standards for central counterparties

Dear Committee members,

Japan Securities Clearing Corporation (hereinafter "JSCC") appreciates the opportunity to comment on the Consultative report "Public quantitative disclosure standards for central counterparties" published on 15 October 2013 by CPSS/IOSCO.

Among the consultative questions raised in the report, JSCC would like to submit several comments as follows:

【Comment on item 4.3】

Disclosing the "Cover 2" requirement for the products for which an FMI assumes a "Cover 1" requirement, could give the mistaken impression that the risk management framework established by the CCP is not as robust. Therefore, such a disclosure requirement should be avoided.

【Comment on item 6.1, 6.2, 18.2 through 18.5, 14.1, 19.1 and 23.4 through 23.6】

These items require a CCP to disclose their clients' initial margin, position, volume/notional values and open interest/notional outstanding, as well as the number of clients. If there are only a few participants holding their positions in client accounts, then the disclosure of such quantitative data, even if disclosed in aggregate, could reveal sensitive information on individual entities. In particular, this could be an issue for a product which has low volumes, for instance with a newly launched product. Disclosure of sensitive information on individual entities is of particular concern.

With respect to information on a participant's house positions, where the "add-on to base initial margin requirement" prescribed in item 6.1, is concentrated on a few (or a sole) member(s). Requiring the disclosure of such information could reveal sensitive information (i.e. individual member's IM requirement or its position risk).

According to the General instruction in the Consultative report, which states *"Confidential information: Disclosures should not reveal confidential information about individual clearing members, clients or other relevant stakeholders".* We recognize that information which could lead to the revelation of *"confidential information"* does not have to be disclosed and a CCP is permitted to just state "that information is confidential" on such an item. However, it should be clarified by annotation, on those items that it is not necessary to disclose the information required in each item, where there is an issue with revealing sensitive information on individual entities.

【Comment on item 7.1 and 7.2】

If a CCP discloses the total size of qualifying liquid resources, then each liquidity provider (e.g. fund settlement banks) will be able to calculate their % share of the CCP's total liquidity arrangements.

The fact that each liquidity provider could have information on how much their liquidity provision constitutes to a CCP's total liquidity arrangements would put the CCP in a difficult situation when negotiating the conditions of the liquidity arrangement, with each provider, such as the amount of credit line.

It is of particular concern that such negotiations could cause adverse effects on a CCP's efforts to secure the necessary liquidity resources through increasing the arrangement cost. Thus, it may lead to severe difficulty for the CCP to secure sufficient liquidity resources.

Therefore, we think it inappropriate to require a CCP to disclose the overall size of secured liquidity resources.

We believe the purpose of disclosure on liquidity resources is to allow external stakeholders to understand a CCP's ability to manage liquidity risk and help them assess the soundness of the CCP.

Rather than disclosing the overall size of qualifying liquidity resources, an alternative method would be to require a CCP to disclose its policy for securing sufficient liquidity resources, the estimated largest payment obligations prescribed in item 7.3 and whether or not the CCP actually has access to the amount of liquidity, which is required in the relevant policy.

【Comment on item 13.1】

The requirement for the disclosure of details on the Client positions of a defaulting participant should be deleted. This is because disclosing such details could reveal sensitive information on individual clients.

【Comment on item 15.1 and 15.2】

The consultation questions on these items raise the issue of frequency (e.g. semi-annually or quarterly) of data disclosure related to business risk. It should be noted that some CCPs are part of listed companies and as such must comply with the disclosure regulations stipulated in the relevant jurisdiction. We think this discussion needs to take into consideration the frequency of disclosure and suitable lag after which a CCP may disclose the information so as to avoid the situation where CCPs violate other regulations, due to the requirements of these disclosure standards. Therefore, we see that it would be appropriate to require annual disclosure, in principle.

In addition, with respect to reporting lag, while the consultative report （*the third bullet point of General Instruction in Explanatory Note） suggested " no more than one month", some extension of this lag should be permitted in order to ensure consistency between the CPSS/IOSCO standards and each jurisdiction's regulatory disclosure framework. For example, where a disclosure item falls under, or is related to, the material information stipulated in laws/regulations of each jurisdiction, CCPs should be permitted not to disclose such information until it is disclosed pursuant to each jurisdiction's framework.

【Comment on item 16.1 through 16.3】

While we think it appropriate to disclose summary statistics related to any investment, there needs to be a deliberate consideration on the contents of the information which is to be disclosed.

Among the proposed items to be disclosed, it is envisaged that disclosing "maximum per cent of portfolio accounted for by any single investment counterparty" could, in combination with aggregate amount of investment or other related data, reveal the specific details of an investment.

With respect to the use of reverse repos as an investment, it is assumed that the credit risk of a reverse repo counterparty is limited as high quality assets, such as sovereign debt, are used as collateral. However, if the disclosure of the "share of

portfolio accounted for by any large single investment counterparty" is required, regardless of the risk characteristics of each transaction, then appropriate risk assessment could be impacted.

As stated above, upon the disclosure of summary statistics related to any investment, there needs to be a deliberate consideration on the exact details which are required to be disclosed.

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