



PRESS RELEASE

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Japan Securities Clearing Corporation

JSCC set to clear CDS transactions from July 19

Tokyo – July 15, 2011 - From July 19, 2011, Japan Securities Clearing Corporation will start clearing services for CDS (Credit Default Swap) transactions on the OTC derivatives market, for the first time as a Financial Instruments Clearing Organization in Japan.

Since the financial crisis was triggered by Lehman shock in 2008, the safety and transparency of OTC derivatives transactions has been raised as an area to be improved. During the G20 Pittsburgh Summit in 2009, G20 members agreed to aim to establish clearing organizations*¹ for OTC derivatives transactions by the end of 2012. In Japan, the use of domestic clearing organization will be mandated by November 2012 for OTC derivatives transactions which meet certain conditions.

(*1) A Clearing Organization provides a safeguard in trading among financial institutions or securities companies since it functions as the buyer to every seller and seller to every buyer in a transaction. In addition, through an appropriate risk management such as the collection of collateral, etc., it ensures that a deal is completed even in case of a default by one party. The use of a clearing organization is expected to lead to the reduction in “systemic risk”, the risk of knock-on failures from one counterparty to another.

On July 19, JSCC starts its clearing services for transactions of CDS Index with 5 major financial institutions as Clearing Participants*². The membership is expected to expand as necessary setups by market participants are completed.

(*2) Those companies are Daiwa Securities Capital Markets Co. Ltd., Nomura Securities Co., Ltd., Mizuho Securities Co., Ltd., Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., and Morgan Stanley MUFG Securities Co., Ltd.

In connection with CDS clearing services, JSCC has been engaged in establishing more robust risk management framework, such as improving the collateral system for margins, etc. In addition, JSCC carried out a third-party allotment*³ to secure the financial resources for loss compensation in case of default by a Clearing Participant, which will be managed separately from those for exchange trades. Through these efforts, JSCC is working on the improvement of the safety of transactions.

(*3) Allotment of class shares worth 4.5 billion yen to Tokyo Stock Exchange Group, Inc.

With the launch of CDS clearing services, JSCC will expand its range of services from exchange transactions - mainly equity products - to the new area of OTC derivatives transactions. We will make continuous efforts to provide our services for a wider range of products, such as IRS (Interest Rate Swap), and continue improving convenience, efficiency and safety in order to contribute to strengthening the competitiveness of Japanese financial and capital markets.

We sincerely seek continuous cooperation from all the parties concerned.

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Japan Securities Clearing Corporation
Strategic Planning Division
Tel: 03-3665-1234