



# PRESS RELEASE

30 June 2010

Japan Securities Clearing Corporation

**Tokyo, 30 June 2010 – Japan Securities Clearing Corporation (JSCC) announced today that JSCC has decided to embark on the introduction of clearing function for OTC derivatives trades.**

In response to the recent financial crisis, global efforts aimed at reducing risks are being continued. Especially, with respect to OTC derivatives trades, it is widely recognized that there is a necessity to increase safety and transparency for OTC derivatives trades.

Under such circumstances, JSCC set up the "Working Group on Clearing Operations for OTC Derivatives Trades" jointly with Tokyo Stock Exchange, Inc. on 22 May 2009 in order to provide clearing function for widely-traded Interest Rate Swaps and rapidly-expanding Credit Default Swaps. From 21 July 2009, ten working group meetings were held for intensive discussion among all the active market players in Japan.

Based on working group's discussions, JSCC announced today that it will take the following course of action:

**1. Interest Rate Swaps (IRS)**

Given the situation where LCH.Clearnet Ltd. (LCH) has been providing clearing services for IRS trades for major financial institutions outside of Japan, it would be useful to create a link with LCH for provision of IRS clearing. JSCC will continue discussion with LCH pursuing the direction to create a link in order to provide the clearing services for IRS as soon as possible.

**2. Credit Default Swaps (CDS)**

On 19 May 2010, the Financial Instruments and Exchange Act was amended so that use of domestic central clearing institution is expected to be mandated by November 2012 for CDS trades. To provide clearing services for CDS trades promptly, JSCC has decided to introduce CDS clearing ahead of IRS trades. JSCC will continue discussion on detailed operational procedure and other related matters with major market players to commence CDS clearing in the second quarter of 2011.

\* Launch of the CDS clearing is subject to the approval of JSCC's Business Rules by the Financial Services Agency Commissioner.

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