



(株)日本証券クリアリング機構  
Japan Securities Clearing Corporation

September 15, 2015

Mr. Christopher J. Kirkpatrick  
Secretary  
U.S. Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, NW  
Washington, DC 20581

**Re: Petition for an Exemption from the DCO Registration Requirement**

Dear Mr. Kirkpatrick,

On behalf of Japan Securities Clearing Corporation (“**JSCC**”), we hereby file this letter and its accompanying annex and the enclosed table of contents, cover sheet and accompanying exhibits (collectively, “**Petition**”) with the U.S. Commodity Futures Trading Commission (the “**CFTC**” or the “**Commission**”) to respectfully request an exemption from the derivatives clearing organization (“**DCO**”) registration requirement under Section 5b(a) of the Commodity Exchange Act (the “**CEA**”) (the “**DCO Registration Requirement**”). We have developed this Petition based on the guidance (“**DCR’s Petition Procedures**”) that the staff of the CFTC’s Division of Clearing and Risk (“**DCR**”) provided to JSCC in its June 19, 2015 letter.

**Background**

Established in 2002 by Japanese securities exchanges as a cross-market, central clearing organization for the Japanese securities market, JSCC is organized under the Companies Act of Japan as a *kabushiki kaisha* (i.e., a joint-stock corporation). In 2003, JSCC obtained a license from the Prime Minister of Japan as a Financial Instruments Clearing Organization (“**FICO**”) under the Financial Instruments and Exchange Act and commenced its clearing business. Since receiving this license, JSCC has been subject to the extensive regulation and comprehensive supervision of the Japanese Financial Services Agency (“**JFSA**”), to whom the Prime Minister of Japan delegates the authority to supervise FICOs. The JFSA applies to JSCC, on an ongoing basis, statutes, rules, regulations, guidelines, and policies that, taken together, are consistent with the Principles for Financial Market Infrastructures (the “**PFMIs**”) developed by the Committee on Payment and Settlement Systems and the International Organization of Securities Commissions.<sup>1</sup>

**Current CFTC Regulatory Status**

On December 17, 2012, DCR provided JSCC with temporary, limited no-action relief from the DCO Registration Requirement.<sup>2</sup> DCR’s no-action relief, which has subsequently been extended and amended by DCR,<sup>3</sup> permits JSCC to provide limited swaps clearing services to certain U.S. persons, provided that certain conditions are met. The no-action relief is currently scheduled to expire on the

<sup>1</sup> In February 2015, the Committee on Payments and Market Infrastructures and the International Organization of Securities Commissions issued a report that found that the PFMIs have been implemented in a “complete and consistent manner” in the Japanese legal, regulatory and policy frameworks for CCPs. See Committee on Payments and Market Infrastructures, Board of the International Organization of Securities Commissions, Implementation monitoring of PFMIs: Level 2 assessment report for central counterparties and trade repositories – Japan (February 2015) at p. 2.

<sup>2</sup> See CFTC Letter No. 12-56 (Dec. 17, 2012).

<sup>3</sup> See CFTC Letter No. 13-73 (Dec. 19, 2013) and CFTC Letter No. 14-155 (Dec. 22, 2014).

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earlier of the date upon which JSCC becomes registered with the CFTC as a DCO or December 31, 2015. At all relevant times, JSCC has operated in accordance with the terms, conditions and limitations of DCR's no-action relief.

On February 25, 2014, JSCC filed with the CFTC a materially complete application for registration as a DCO. Subsequently, JSCC has submitted supplemental information in response to DCR's questions and comments concerning the application. In addition, JSCC has worked with DCR and representatives from the JFSA and the Bank of Japan to analyze and attempt to address various technical issues associated with its DCO application, the majority of which relate to differences between U.S. and Japanese law. JSCC continues to analyze whether these differences can, as a practical matter, be reconciled. In the meantime, particularly given the temporary nature of its no-action relief, JSCC believes that it would provide important certainty for both itself and the market generally if it were to obtain a more permanent status with the CFTC as an exempt DCO.<sup>4</sup>

### Request for an Exemption

Under the terms of its no-action relief, JSCC has been legally clearing for certain U.S. persons: (1) certain Yen-denominated interest rate swaps ("IRS") referencing LIBOR, (2) certain yen-denominated IRS referencing TIBOR and (3) certain overnight index swaps. As noted, JSCC has at all relevant times complied with the applicable terms and limitations of its no-action relief, including, among other things, not accepting for clearing any swaps on behalf of a U.S. customer. JSCC wishes to continue to provide to certain U.S. persons limited clearing services as an exempt DCO.<sup>5</sup>

Accordingly, JSCC respectfully requests an exemption from the DCO Registration Requirement with respect to its clearing of the proprietary positions for U.S. persons of interest rate swaps.

\* \* \*

Thank you in advance for your consideration of our request. If you have any questions, please do not hesitate to contact JSCC's outside counsel, Annette L. Nazareth of Davis Polk & Wardwell LLP, at (202) 962-7075.

Sincerely,

Mr. Hironaga Miyama  
President & Chief Executive Officer  
Japan Securities Clearing Corporation

深山浩永

<sup>4</sup> We note that on April 27, 2015, the European Securities and Market Authority recognized JSCC as a "third-country CCP," which allows JSCC to offer certain clearing services in the European Union in accordance with Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories (EMIR).

<sup>5</sup> **Annex A** identifies the classes of swaps that JSCC intends to clear as an exempt DCO and notes whether such swaps are subject to a clearing requirement issued by the CFTC or JSCC's home country regulator(s).

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Attachments: Annex A  
Petition Table of Contents  
Petition cover sheet  
Exhibits A through E

cc: Ms. Phyllis P. Dietz  
Ms. Eileen A. Donovan  
Mr. Peter Kais  
Division of Clearing and Risk  
U.S. Commodity Futures Trading Commission

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## ANNEX A: CLASSES OF SWAPS JSCC INTENDS TO CLEAR IN ITS CAPACITY AS AN EXEMPT DCO

### INTEREST RATE SWAPS<sup>6 7</sup>

#### 1.1 Fixed to Floating Swap Class

##### a. JPY-denominated swaps

Indexes	LIBOR			Z TIBOR			D TIBOR		
Currency	JPY			JPY (Euroyen)			JPY (Domestic JPY)		
Maturity	1 month	3 month	6 month	1 month	3 month	6 month	1 month	3 month	6 month
Termination Date Range	3 – 14,623 days			3 – 7.318 days			3 - 3,666 days		
Subject to Japanese Clearing Mandate	No	Yes		No	Yes (up to 1,839 days)	Yes (up to 3,666 days)	No		
Subject to U.S. Clearing Mandate	Yes (28 days to 30 years)			No			No		

##### b. Non-JPY-denominated swaps

Indexes	LIBOR			EURIBOR Telerate		EURIBOR Reuters		AUD BBR BBSW	
Currency	USD			EUR		EUR		AUD	
Maturity	1 month	3 month	6 month	3 month	6 month	3 month	6 month	3 month	6 month
Termination Date Range	3 – 10,971 days			3 – 7.318 days		3 – 7.318 days		3 - 3,666 days	
Subject to Japanese Clearing Mandate	No			No		No		No	
Subject to U.S. Clearing Mandate	Yes (28 days to 50 years)			Yes (28 days to 50 years)		Yes (28 days to 50 years)		No	

<sup>6</sup> The name of D Tiber in ISDA documentation is JPY-TIBOR-17097.

<sup>7</sup> 1 month JPY LIBOR, Z TIBOR, D TIBOR, and Non-JPY-denominated swaps are scheduled to be introduced on September 24, 2015.

## 1.2 Basis Swap Class

### a. JPY-denominated swaps

Indexes	LIBOR			Z TIBOR			D TIBOR		
Currency	JPY			JPY (Euroyen)			JPY (Domestic JPY)		
Maturity	1 month	3 month	6 month	1 month	3 month	6 month	1 month	3 month	6 month
Termination Date Range	3 – 14,623 days			3 – 7,318 days			3 - 3,666 days		
Subject to Japanese Clearing Mandate	No	Yes		No	Yes (up to 1,839 days)	Yes (up to 3,666 days)	No		
Subject to U.S. Clearing Mandate	Yes (28 days to 30 years)			No			No		

### b. Non-JPY-denominated swaps

Indexes	LIBOR			EURIBOR Telerate		EURIBOR Reuters		AUD BBR BBSW	
Currency	USD			EUR		EUR		AUD	
Maturity	1 month	3 month	6 month	3 month	6 month	3 month	6 month	3 month	6 month
Termination Date Range	3 – 10,971 days			3 – 7,318 days		3 – 7,318 days		3 - 3,666 days	
Subject to Japanese Clearing Mandate	No			No		No		No	
Subject to U.S. Clearing Mandate	Yes (28 days to 50 years)			Yes (28 days to 50 years)		Yes (28 days to 50 years)		No	

## 1.3 Overnight Index Swap Class

Currency	JPY
Floating rate indexes	JPY TONA OIS Compound
Termination date range	3 – 14,623 days
Subject to Japanese Clearing Mandate	No
Subject to U.S. Clearing Mandate	No