

**Submitted Electronically:** [Adriana.CSmith@asic.gov.au](mailto:Adriana.CSmith@asic.gov.au)

21 January 2022  
Adriana Collingwood-Smith  
Analyst, Market Infrastructure  
Australian Securities and Investments Commission  
GPO Box 9827  
Brisbane QLD 4001

**Re: CONSULTATION PAPER 353  
- Proposed amendments to the ASIC Derivative Transaction Rules (Clearing) 2015**

Dear Adriana Collingwood-Smith,

Japan Securities Clearing Corporation (“JSCC”) would hereby respectfully submit its comments to the public consultation of Australian Securities and Investments Commission (“ASIC”) - CONSULTATION PAPER 353 - Proposed amendments to the ASIC Derivative Transaction Rules (Clearing) 2015 (“Consultation Paper”), which was publicized in ASIC’s website on 6 December, 2021<sup>1</sup>, particularly in relation to OTC interest rate swap (“IRS”) denominated in Japanese Yen (“JPY”).

**1. 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 under the Financial Instruments and Exchange Act and commenced its clearing business.

JSCC currently provides clearing services, including those for IRS denominated in JPY, as a prescribed facility determined by ASIC under 7.5A.63 of Corporations Amendment (Central Clearing and Single-Sided Reporting) Regulation 2015<sup>2</sup>.

---

<sup>1</sup> CONSULTATION PAPER 353 - Proposed amendments to the ASIC Derivative Transaction Rules (Clearing) 2015 :  
<https://asic.gov.au/regulatory-resources/find-a-document/consultation-papers/cp-353-proposed-amendments-to-the-asic-derivative-transaction-rules-clearing-2015/>

<sup>2</sup> <https://www.comlaw.gov.au/Details/F2015L01411/1ff15ac4-5e5c-4278-b6e9-084c949a603c>

## 2. JSCC's Response to the Consultation Paper in respect of JPY denominated IRS

***B1Q1: Do you agree with the proposed amendments to the product scope of the clearing requirement? If not, please elaborate on alternative options.***

JSCC agrees with ASIC's proposal to replace JPY LIBOR swaps with TONA OIS in its clearing requirement, which we believe exactly follows, not only the direction taken in the home jurisdiction of JPY currency, but also the transition efforts in the JPY IRS market as a whole. Indeed, in early December 2021<sup>3</sup>, JSCC converted all cleared trades referencing JPY LIBOR IRS to TONA OIS. At the same time, other CCPs clearing JPY LIBOR Swaps – CME, Eurex Clearing and LCH SwapClear – did similar conversions to TONA OIS.

***B1Q2: When should these proposed amendments come into force?***

As described in the response to B1Q1, JSCC and other CCPs have already completed the transition from JPY LIBOR to TONA OIS, and therefore, it would be appropriate that the clearing requirement for JPY LIBOR swaps should also be replaced with TONA OIS as soon as practicable so that the purposes of the clearing requirements agreed in G20 Pittsburgh summit September 2009, as described in the Consultation Paper, would not be undermined.

***B1Q3: What is the likely impact of our proposals? Do you expect to incur any costs as a result of our proposals? If so, please provide an estimate of the time and costs that you will expend. In providing this estimate, please compare your costs with the situation where we do not introduce the proposed amendments.***

In relation to TONA OIS, it has been accepted for clearing at 2 licensed CS facility - CME and LCH SwapClear - and 2 prescribed CS facilities - Eurex Clearing and JSCC. Therefore, we believe that replacing JPY LIBOR with TONA OIS would not cause additional costs for the industry. On the other hand, if TONA OIS is not included in the scope of the clearing requirement, it would create possibilities that some swap counterparties may

<sup>3</sup> Please see the press release ("**JSCC Completes the Bulk Conversion of IRS Cleared Contracts referencing LIBOR to those referencing TONA (OIS)**") on December 6<sup>th</sup>, 2021 as available at:

[https://www.jpjx.co.jp/jscj/en/information/news/20211206\\_01.html6](https://www.jpjx.co.jp/jscj/en/information/news/20211206_01.html6)

prefer to trade uncleared TONA OIS, for whatever reasons, which may undermine the transparency of swap markets as envisaged by the G20 Pittsburgh agreements.

**B1Q4: *What are the benefits and costs of aligning our amendments closely with our overseas counterparts in meeting Australia's G20 commitment?***

Given the global nature of swap markets, JSCC believes that the alignment of the clearing requirements with each currency's home country regulator would simplify the relevant practices and reduce the compliance burden across jurisdictions.

We are at your disposal to address any questions or requests for additional information. Should you have any questions on the attachments or any other requests, please do not hesitate to contact Toshihiko Sato, Chief Manager of Clearing Planning, at .

Yours sincerely,

---

Mr. Masaki SHIZUKA  
President & CEO  
Japan Securities Clearing Corporation