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

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1. Executive summary

In April 2012, the Committee on Payments and Market Infrastructures (CPMI)[1] and the International Organization of Securities Commissions (IOSCO) published a report entitled *Principles for financial market infrastructures* (PFMIs). The principles within the PFMIs (the Principles) set expectations for the design and operation of key financial markets infrastructures (FMIs) to enhance their safety and efficiency and more broadly, to limit systemic risk and foster transparency and financial stability. The Principles apply to all systemically important payment systems, central securities depositories (CSDs), securities settlement systems (SSSs), central counterparties (CCPs) and trade repositories (TRs) (collectively FMIs). These FMIs collectively clear, settle and record transactions in financial markets. Among other things, the Principles provide important support for the G20 strategy to enhance financial system resilience by ensuring that standardised over-the-counter (OTC) derivatives are centrally cleared. CPMI and IOSCO members have committed to implement and apply the PFMIs in their respective jurisdictions.

Following the publication of the PFMIs, the CPMI and IOSCO agreed to monitor their implementation in the 28 CPMI and IOSCO member jurisdictions. They agreed to a three-level monitoring framework that involves: a Level 1 (L1) assessment of the status of the implementation process; a Level 2 (L2) assessment of the completeness of the implemented framework and its consistency with the PFMIs; and a Level 3 (L3) assessment of the consistency in outcomes of such frameworks.

This report represents an L2 assessment of whether, and to what degree, the content of the legal and regulatory or oversight framework, including rules and regulations, any relevant policy statements, or other forms of implementation applied to systemically important CCPs and TRs in Japan, is complete and consistent with the Principles.

The work on the L2 assessment was carried out during 2014. The assessment reflects the status of the Japanese legal, regulatory and oversight frameworks as of 18 April 2014.

1.1 Legal and regulatory framework

In Japan, there are two authorities responsible for the supervision and oversight of CCPs and TRs: the Financial Services Agency (FSA) and the Bank of Japan (BOJ). These authorities have completely overlapping responsibilities for CCPs and TRs and oversee all aspects of their operations in Japan. CCPs and TRs are supervised by the FSA under the Financial Instruments and Exchange Act (FIEA), which establishes the regulatory framework for CCPs[2] clearing securities and financial derivatives[3] and for TRs. These CCPs and TRs are also overseen by the BOJ under the Bank of Japan Act, as part of the central bank's objective to ensure smooth settlement of funds among banks and other financial institutions. Both the FSA and the BOJ have adopted the PFMIs at a high-level in their policy frameworks. The FSA adopted the PFMIs in its December 2012 policy statement on the supervision of FMIs. The BOJ adopted the PFMIs in its *Policy on Oversight of Financial Market Infrastructures* in March 2013. The FSA took the

[1] The Committee on Payment and Settlement Systems (CPSS) changed its name to the Committee on Payments and Market Infrastructures (CPMI) on 1 September 2014. Please note that references to reports published before that date use the Committee's old name.

[2] Note that CCPs are referred to as clearing organisations (COs) within the Japanese FSA legislation and regulations. This report refers to CCPs in order to be consistent with the terminology used in the PFMIs and by other jurisdictions.

[3] The supervisory framework for CCPs clearing commodities is established under the Commodity Derivatives Act (2009). In Japan, CCPs licensed under FIEA do not provide clearing services for commodities products, and therefore CCPs for commodities are out of scope of this L2 assessment.

additional measure of adopting the PFMIs in its supervisory framework for FMIs, the *Comprehensive Guidelines for Supervision of Financial Market Infrastructures* (Supervisory Guidelines), in December 2013.

1.2 Key findings of the assessment

The PFMIs have been implemented in a complete and consistent manner, and through a high-level policy-based approach, in the Japanese legal, regulatory and policy frameworks for CCPs and TR – having been adopted by the FSA in its policy statement on the supervision of FMIs and by the BOJ *Policy on Oversight of Financial Market Infrastructures*. Both these policies state simply that the respective authorities will apply the PFMIs in their regulation, supervision or oversight of Japanese CCPs and TRs. The FSA has gone a step further and also incorporated the PFMIs into its supervisory framework by publishing the Supervisory Guidelines. These guidelines, however, do not always mirror those of the PFMIs. Gaps or inconsistencies between the Supervisory Guidelines and the PFMIs are primarily attributable to idiosyncrasies of the Japanese regulatory regime and the structure and practices of Japanese financial markets. These gaps and inconsistencies were identified as part of this assessment but were not considered in the jurisdictional rating because of the policy-based approach taken by the FSA. However, these gaps and inconsistencies may result in ambiguous supervisory expectations for CCPs and TRs, which the FSA should address.

1.3 Summary response from the assessed jurisdiction's authorities

The Japanese authorities appreciate the detailed and holistic assessment conducted by the assessment team. We have made our utmost efforts for timely implementation of the PFMIs. The FSA adopted the PFMIs in its policy statement on the supervision of FMIs in December 2012, followed by publication of the Supervisory Guidelines in December 2013. The BOJ adopted the PFMIs in its *Policy on Oversight of Financial Market Infrastructures* in March 2013.

The Japanese authorities appreciate the assessment team's conclusion that the Japanese legal, regulatory and oversight frameworks for CCPs and TRs have implemented the PFMIs in a complete and consistent manner. Nevertheless, the FSA will make efforts to address the recommendations on the Supervisory Guidelines set out in this report, in order to remove ambiguity regarding the FSA's expectations. For example, in regard to the Principle 23, the FSA will consider amendments to supervisory guidelines to clearly reflect the disclosure requirements in PFMIs, taking into account the public quantitative disclosure standards for central counterparties to be published by CPMI-IOSCO.

The Level 2 assessment is not the end of the process for the implementation of PFMIs. Challenges still remain in ensuring the FMIs in Japan to observe the PFMIs. The FSA intends to conduct effective supervision and regulation of FMIs. The BOJ will conduct effective oversight to ensure safety and efficiency of the FMIs.

2. Introduction

This report presents the CPMI and IOSCO conclusions of the L2 assessment of the Principles for Japan with regard to CCPs and TRs. The assessment reflects the status of the Japanese legal, regulatory and oversight frameworks as of 18 April 2014. This assessment was conducted as a peer review from March to September 2014[4].

This assessment is part of the first round of L2 assessments that focused on the legal, regulatory and oversight framework implementing the Principles applicable to CCPs and TRs in the European Union, Japan and the United States. The selection of jurisdictions participating in this first round was based on the location of major global CCPs and TRs. For practical reasons, the L2 assessments are being carried out sequentially for groups of jurisdictions, covering different types of FMIs, and focused only on the principles applicable to those FMIs. Implementation of the Responsibilities included in the PFMIs applicable to authorities will be assessed in a separate exercise.

The counterparts for the assessment were the FSA and the BOJ, given the central role of these two authorities in the regulation, supervision and/or oversight of CCPs and TRs in Japan.

2.1 Broader context of the Level 2 assessment

In line with the G20's expectations, CPMI and IOSCO members have undertaken to incorporate the Principles and the Responsibilities included in the PFMIs in their legal, regulatory and oversight frameworks. The CPMI and IOSCO regard full, timely and consistent implementation of the PFMIs as fundamental to ensuring the safety and soundness of key FMIs and to supporting the resilience of the global financial system.

To that end, CPMI and IOSCO are actively monitoring the implementation of the PFMIs based on a monitoring framework that involves three phases:

(1) L1 to assess whether jurisdictions have completed the process of adopting the legislation, regulations and other policies that will enable them to implement the Principles and Responsibilities;

(2) L2 to assess whether the content of legislation, regulations and policies (the regulatory framework) is complete and consistent with the Principles and the Responsibilities; and

(3) L3 to assess whether there is consistency in the outcomes of implementation of the Principles and Responsibilities.

The CPMI and IOSCO have conducted two rounds of L1 assessments since the publication of the PFMIs. The initial assessment was published in August 2013[5] and the first update was published in

[4] The CPMI and IOSCO would like to thank the assessment team (AT) which was led by Carol Brigham (Bank of Canada) with the participation of Nicolas Gauthier (European Commission), Antoinette Leung (Ontario Securities Commission), Christian Schindler (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin), Richard Spooner (Bank of England) and Paul Wong (Board of Governors of the Federal Reserve System) as well as Emanuel Freire, Youngseok Kim, Pan Ng, and Ayn du Bazane (CPMI secretariat), Yukako Fujioka and Manabu Kishimoto (IOSCO secretariat) as supporting members. The CPMI and IOSCO would also like to thank those who provided support to the AT, including Katie Ballintine (Board of Governors of the Federal Reserve System), Jessica Lee (Bank of Canada), Sophie Lefebvre (Bank of Canada), Andrew Powell (Bank of England) and Oren Winer (Ontario Securities Commission).

[5] CPSS-IOSCO, *"Implementation monitoring of PFMIs – Level 1 assessment report"*, August 2013, http://www.bis.org/publ/cpmi111.htm.

May 2014[6]. The main observation of those L1 assessments was that most jurisdictions had begun the process of implementation, but not all of the jurisdictions had completed the process for all types of FMI. The assessments also showed that jurisdictions have implemented, or are in the process of implementing, the PFMIs in different ways. Depending on the national legal and regulatory or oversight framework, some jurisdictions use a policy-based approach (ie rely on a policy statement as the primary tool for adopting the PFMIs), some use a rules-based approach (ie rely on rules and/or regulations corresponding to the PFMIs) and others combine these two approaches.

In this respect, both the FSA and the BOJ have adopted a policy-based approach, although the FSA has supplemented its policy statement with its more detailed Supervisory Guidelines.

The CPMI and IOSCO will continue to monitor jurisdictions' progress in implementing the Principles and Responsibilities in future L1 and L2 assessments.

2.2 Objective and rating

The aim of the L2 assessment is to determine whether, and to what degree, the content of the legal and regulatory or oversight framework, including any relevant policy statements or other forms of implementation, applied in Japan is complete and consistent with the Principles. The focus of the L2 assessment is on the relevant framework itself, not on the application of this framework by authorities, nor on FMIs' observance.

In conducting its assessment, the CPMI and IOSCO assessed whether there are gaps or shortcomings between implementation measures and the Principles and, if so, evaluated the materiality of the potential impact of those gaps. Ratings were then assigned based on these determinations to reflect the degree of completeness and consistency between an implementation measure and a particular Principle.

The rating framework used in L2 assessments (Table 1) is an adaptation of the approach described in the PFMI Assessment Methodology[7] (AM). In order to reflect the fact that the purpose of the L2 assessment is to evaluate the completeness and consistency of a jurisdiction's implementation measures, rather than whether FMIs in the jurisdiction are in observance of the Principles, the rating levels are: "Consistent", "Broadly consistent", "Partly consistent", "Not consistent", and "Not applicable".

6 CPSS-IOSCO, *"Implementation monitoring of PFMIs: first update to Level 1 assessment report"*, May 2014, http://www.bis.org/cpmi/publ/d117.htm.

7 CPSS-IOSCO, *"Principles for financial market infrastructures: Disclosure framework and assessment methodology"*, December 2012, http://www.bis.org/cpmi/publ/d106.pdf.

Status rating of the Level 2 assessment — Table 1

Consistent	The jurisdiction's regulatory framework is consistent with the Principle. The assessment has identified no gaps or shortcomings or only a few gaps and/or shortcomings that have no material impact on completeness and/or consistency.
Broadly consistent	The jurisdiction's regulatory framework is broadly consistent with the Principle. The assessment has identified gaps and/or shortcomings that have a minor impact on completeness and/or consistency.
Partly consistent	The jurisdiction's regulatory framework is partly consistent with the Principle. The assessment has identified gaps and/or shortcomings that have a significant impact on completeness and/or consistency.
Not consistent	The jurisdiction's regulatory framework is not consistent with the Principle. The assessment has identified gaps and/or shortcomings that have a major impact on completeness and/or consistency.
NA – No implementation measures needed (ie not applicable)	This status corresponds to the case where no relevant FMI exists that is within the scope of the Principles. A rating of "NA" will be indicated only if no relevant regulatory measures are being taken and no such FMI is expected to develop within the jurisdiction.

2.3 Scope

This report covers implementation measures in Japan for CCPs and TRs. The main implementation measures assessed for Japan comprise: the FSA's policy statement on its supervision of FMIs and related administrative letters to CCPs, the FSA's Supervisory Guidelines, and the BOJ's *Policy on Oversight of Financial Market Infrastructures*. The FSA and BOJ policy statements are high-level statements of the authorities' intention to use the PFMIs as the basis for FSA supervision and BOJ oversight. Further, the Supervisory Guidelines are legally binding and provide additional detail on the expectations of the FSA. Other relevant legislation (eg the Financial Instruments and Exchange Act and the Companies Act) were also taken into consideration. The assessed policy and regulatory approaches are further described in Section 3.

2.4 Process

This L2 assessment was carried out in three stages over the course of eight months: (i) collection of relevant information from Japanese authorities; (ii) off-site review and follow-up exchange of information and discussions with the Japanese authorities and other members of the CPMI-IOSCO Implementation Monitoring Task Force (IMTF); and (iii) review of ratings by and contributions from the Japanese authorities.

The L2 assessment is based on responses to questionnaires provided by the Japanese authorities. The aim was to gain insight into the regulatory, supervisory and oversight framework as well as the content of existing and proposed legislation, regulations and policies used in the implementation of the Principles for CCPs and TRs established in Japan.

The AT conducted a peer review based on the information provided in response to the questionnaire and additional clarifying information subsequently provided by the relevant authorities. The assessment process was designed to be iterative in nature. Interactions between the AT members and Japanese authorities helped ensure that the AT would understand the content and intent of the Japanese framework and allowed the assessed jurisdiction an opportunity to provide feedback to the AT.

In addition, discussions among the three assessment teams and other members of the IMTF[8] helped ensure that a consistent approach was applied across all the assessed jurisdictions.

The report also reflects input from Japanese authorities that reviewed the findings and recommendations and provided a jurisdictional response. A concise summary of the views of the Japanese authorities is included in the executive summary section of the report.

8 The IMTF was set up by the CPMI-IOSCO Steering Group to design, organise and carry out the implementation monitoring assessments. The IMTF comprises representatives from 18 jurisdictions that reflect a balance of CPMI and IOSCO members and geographical dispersion, as well as a range of domestic and global FMIs' supervisors and overseers.

3. Overview of the regulatory, supervisory and oversight framework

CCPs and TRs are regulated and supervised by the FSA and overseen by the BOJ. The FSA and the BOJ have completely overlapping responsibilities for these FMIs and oversee all aspects of CCPs and TRs in Japan. Both the FSA and the BOJ have adopted the PFMIs in their regulatory, supervisory and oversight framework for these types of FMI.

3.1 Regulatory regime

The FIEA, along with other legislation, establishes the regulatory framework for CCPs that clear securities and financial derivatives and also for TRs. CCPs and TRs are established under the FIEA as joint stock companies and are subject to regulation and supervision by the FSA. The FSA's regulatory and supervisory regime for these types of infrastructure is based on the PFMIs. The FSA publicly announced in December 2012 that it was adopting the PFMIs and that it would supervise CCPs and TRs in accordance with them. In December 2013, the FSA published its Supervisory Guidelines, incorporating the PFMIs, as a part of its supervisory guidance to CCPs and TRs. Further, CCPs and TRs in Japan are subject to BOJ oversight under the Bank of Japan Act. The BOJ's oversight regime is guided by its *Policy on Oversight of Financial Market Infrastructures*, which was published in March 2013 and incorporates the PFMIs.

3.2 Relevant authorities

Financial Services Agency (FSA)

The FSA is an agency of the Japanese government and is responsible for the supervision of financial services providers, including banks, financial market participants, insurers and FMIs. The FSA has legislative and regulatory authority to supervise CCPs and TRs under the FIEA, the Act for the Establishment of the Cabinet Office, and relevant Cabinet Orders and Cabinet Office Ordinances. The FSA's responsibilities include: (i) approving, revoking and suspending a CCP licence application; (ii) approving, revoking and suspending a TR application for designation; (iii) approving changes to a CCP's or TR's business rules; (iv) inspecting a CCP's or TR's business, books and records, requesting a CCP or TR to produce reports, and assessing a CCP's or TR's compliance with its obligations; (v) ordering a CCP or TR to improve certain aspects of its business and enforcing such orders; and (vi) ensuring CCPs and TRs are operating in a manner that is compatible with the stability of the Japanese financial system.

In carrying out its responsibilities for the regulation and supervision of CCPs and TRs, the FSA relies on the PFMIs for guidance. As noted above, the FSA issued a public statement in December 2012 indicating that it had adopted the PFMIs and the related Disclosure Framework and Assessment Methodology report in its regulation and supervision of CCPs and TRs. The FSA reinforced this policy statement by sending an administrative notice to CCPs informing them of such.[9] In addition, the FSA followed up by publishing its legally binding Supervisory Guidelines in December 2013 to provide further clarity on the FSA's supervisory expectations for CCPs and TRs. The Supervisory Guidelines incorporate most of the key concepts from the PFMIs. In drafting the Supervisory Guidelines, however, the FSA took into account relevant laws and regulations, the FSA's supervisory structure, and market practice.

The FSA has broad powers to promote the observance of the PFMIs by Japanese CCPs and TRs. It requires CCPs and TRs to publish self-assessment against the PFMIs. Further, the FSA conducts its own assessment, while the Supervisory Guidelines stipulate that the FSA should hold ad hoc hearings with

9 The FSA did not send notices to TRs as there were no TRs in Japan at the time when the letters were sent.

CCPs regarding the status of their compliance with the PFMIs. To determine observance of the PFMIs by individual CCPs and TRs, the FSA obtains information on the design, risk management, operations and other aspects of CCPs and TRs from various sources (eg information disclosed or reported by the CCPs and TRs, publicly available information, regular and ad hoc dialogue with the operators, and information obtained from on-site examination). If a CCP or TR is not in observance of the PFMIs, the FSA would direct compliance. If needed, the FSA may order a change of a management or a suspension of operations or revoke a business licence.

Bank of Japan (BOJ)

The BOJ conducts oversight activities for CCPs and TRs with the objective to "ensure smooth settlement of funds among banks and other financial institutions", in accordance with the Bank of Japan Act, Article 1, paragraph 2. The BOJ oversees CCPs because of their potential to pose systemic risk and their interrelations with payment systems. It oversees TRs because they are typically linked with CCPs and the stable operations of TRs are important to ensure the safety and efficiency of financial markets more generally.

The BOJ conducts its oversight of CCPs and of TRs in three phases: (i) monitoring their performance and characteristics; (ii) assessing them against safety and efficiency objectives; and (iii) inducing changes for improvements where necessary. The BOJ monitors the design, risk management, operations and other aspects of CCPs and TRs from various sources (eg information publicly disclosed or reported by the CCPs and TRs and regular and ad hoc dialogue with the CCPs and TRs). In the case of one CCP, the BOJ is able to obtain information from on-site examinations. In addition, CCPs that seek to open an account or use other services at the BOJ undergo an application process and an assessment of their risk management practices.

In overseeing CCPs and TRs, the BOJ is guided by its *Policy on the Oversight of Financial Market Infrastructures*, which states that the Bank will use the PFMIs in its oversight of CCPs and TRs. The BOJ policy states: "For systemically important FMIs that are highly relevant to the Bank's objective, the Bank uses international standards as the benchmark for oversight, evaluates whether the FMI meets the requirements set out in the international standards, and makes its own assessment of the FMI."[10] The policy further states that these international standards and guidance are constituted by the PFMIs and the related Disclosure Framework and Assessment Methodology.

[10] Bank of Japan, *Policy on Oversight of Financial Market Infrastructures*, March 2013, p. 10.

4. Assessment and recommendations

4.1 Summary assessment of completeness and consistency with the Principles

This section provides a high-level summary of how consistent the CCP and TR regimes in Japan are with the Principles. A more detailed assessment, including citations of the relevant legislation, policy, and guidance, and notes explaining the assigned ratings is provided in tabular form in Section 4.2.

4.1.1 Overview

The AT found that Japan has completely and consistently adopted the Principles applicable for CCPs and TRs. As discussed above, the FSA and the BOJ have adopted the PFMIs in their entirety, as policy, for CCPs and TRs. The FSA policy statement, as well as accompanying administrative notices to CCPs, make clear the FSA's intention to supervise CCPs and TRs according to the PFMIs. In addition, the FSA's Supervisory Guidelines, despite some gaps and discrepancies vis-à-vis the PFMIs, reaffirm this policy statement. Moreover, the BOJ's policy statement reflects the central bank's adoption of the PFMIs in its broader oversight of FMIs. Tables 2 and 3 summarise the AT's assessment ratings for CCPs and TRs by Principle.

Ratings summary for CCPs Table 2

Assessment category	Principle
Consistent	*Principles 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23*
Broadly consistent	*None*
Partly consistent	*None*
Not consistent	*None*
Not applicable	*None*

Ratings summary for TRs Table 3

Assessment category	Principle
Consistent	*Principles 1, 2, 3, 15, 17, 18, 19, 20, 21, 22, 23, 24*
Broadly consistent	*None*
Partly consistent	*None*
Not consistent	*None*
Not applicable	*None*

4.1.2 General observations

In conducting the assessment, the AT considered all of the FSA's and BOJ's implementation measures, both independently and holistically, and took into account the regulatory and oversight powers of the respective Japanese authorities and their regulatory and oversight practices. In reviewing the FSA's implementation of the PFMIs, the AT considered the FSA's policy statement and administrative notices to CCPs stating the FSA's use of the PFMIs in its supervision of CCPs and TRs. The AT also independently scrutinised the FSA's Supervisory Guidelines to assess their consistency with the PFMIs. Any material gaps or inconsistencies between the Supervisory Guidelines and the PFMIs identified by the AT are noted in Section 4.2. Such gaps and inconsistencies, however, were not considered in the jurisdictional rating because of the policy-based approach followed by the FSA.

In reviewing the FSA's Supervisory Guidelines against the PFMIs, the AT considered the FSA's regulatory and oversight powers, ascertaining that the FSA, for example, leverages its authority to approve a CCP's or a TR's business rules. It also established that the FSA does not address certain Principles or Key Considerations from the PFMIs in its Supervisory Guidelines where those Principles or Key Considerations are already addressed through a CCP's or TR's existing rules. Further, the FSA indicated that it is able to induce change, if needed, to ensure that certain Principles or Key Considerations are addressed even if they are not explicitly referenced in the Supervisory Guidelines. The AT also considered the FSA's use of "etc." in the Supervisory Guidelines. It is Japanese regulatory practice to use "etc." to indicate a non-exclusive or non-exhaustive list. In some instances, with FSA guidance, the AT interpreted the use of "etc." to signify the inclusion of key PFMI concepts not explicitly referenced in the Supervisory Guidelines. In a few cases, however, the AT has not accepted the use of "etc." to mean the inclusion of certain concepts not explicitly mentioned in the Supervisory Guidelines, in order to be consistent across the assessed jurisdictions.

4.1.3 Central counterparties

The FSA and the BOJ have fully incorporated the PFMIs into their policy frameworks for the supervision and oversight of CCPs. However, when reviewing the Supervisory Guidelines and other Japanese legislation relevant to CCPs (eg the FIEA, the the Companies Act and general bankruptcy acts) against the PFMIs, the AT identified some gaps and inconsistencies between those documents and the PFMIs. Below are the key areas where the AT identified ***important*** gaps and inconsistencies:

- *Credit risk (Principle 4)*. The financial requirements relating to credit risk in the Supervisory Guidelines differ from the PFMIs in language. The Supervisory Guidelines require a CCP that does not have a complex risk profile and is not systemically important in multiple jurisdictions to maintain sufficient financial resources to cover either (i) the default of two participants (unconsolidated) that would cause the largest aggregate credit exposure or (ii) the participant (consolidated) that would cause the largest aggregate credit exposure. The PFMIs, however, require that such a CCP to maintain sufficient financial resources to cover the default of the participant (consolidated) that would cause the largest aggregate credit exposure. The Supervisory Guidelines would allow a CCP maintain financial resources that could be less than the PFMIs' cover-one standard because a cover-two (unconsolidated) standard may be lower than a cover-one (consolidated) standard in certain cases.
- Furthermore, the Supervisory Guidelines require that a CCP maintain additional financial resources to cover either of the following stress scenarios in consideration of extreme but plausible market conditions: (i) default of two participants or (ii) default of one participant. The PFMIs, however, require a CCP to "maintain additional financial resources sufficient to cover a wide range of potential stress scenarios that should include, but not be limited to, the default of [one/two participants]". The Supervisory Guidelines are narrower than that of the PFMIs, as the PFMIs require a CCP to maintain additional financial resources to address scenarios beyond the default of one or two participants with the largest aggregate credit exposure.
- *Liquidity risk (Principle 7)*. The liquid resource requirement in the Supervisory Guidelines differs from that of the PFMIs in two important ways. First, the Supervisory Guidelines require a CCP to maintain liquidity resources to cover only the default of one or two participants that would generate the largest aggregate payment obligation in extreme but plausible market conditions. The PFMIs, however, are much broader in scope and require a CCP to "maintain sufficient liquid resources [...] to meet [...] payment obligations on time [...] under a wide range of potential stress scenarios that should include, but not be limited to, the default of [one/two]

participants". Second, the Supervisory Guidelines do not explicitly reference the need to maintain sufficient liquid resources in all relevant currencies, which is explicit in the PFMIs.

- *Operational risk (Principle 17)*. The Supervisory Guidelines do not explicitly require a CCP's board of directors to endorse a risk management framework specific to operational risks as outlined in Principle 17 Key Consideration 2. Whereas the Supervisory Guidelines require a CCP's board to establish a policy managing all risks, there is no explicit mention of operational risk. In addition, the Supervisory Guidelines require periodic testing of systems, operational policies, procedures and controls for IT risk alone and do not expressly address other forms of operational risk. Finally, the Supervisory Guidelines do not require a CCP to have a comprehensive physical security policy in place as required by Key Consideration 5.
- *Disclosure of rules, key procedures, and market data (Principle 23)*. The Supervisory Guidelines do not expressly require a CCP to complete and disclose the CPSS-IOSCO Disclosure Framework on a regular basis as required in Key Consideration 5.

Although the FSA's measures to implement the PFMIs have been deemed consistent based on a holistic assessment of documents reviewed, the gaps and inconsistencies that have been identified between the Supervisory Guidelines and the PFMIs should be addressed to remove any ambiguity for market participants. Japanese CCPs should have clarity on the standards against which the FSA will supervise them.

Other differences between the FSA's Supervisory Guidelines and the PFMIs

Other, more minor gaps and differences exist between the Supervisory Guidelines and a number of Principles. In particular, the AT has identified other noteworthy gaps and inconsistencies related to Principle 2 (governance), Principle 3 (framework for the comprehensive management of risks), Principle 6 (margin), Principle 9 (money settlements), Principle 12 (exchange-of-value settlement systems), Principle 15 (general business risk), Principle 17 (operational risk), Principle 21 (efficiency and effectiveness) and Principle 22 (communication procedures and standards). The AT recommends that the FSA review the minor gaps and inconsistencies that have been identified for those Principles in Section 4.2 and take action to remove ambiguity regarding the FSA's expectations.

4.1.4 Trade Repositories

The FSA and the BOJ have fully incorporated the PFMIs into their policy frameworks for the supervision and oversight of TRs. However, when reviewing the Supervisory Guidelines and other Japanese legislation relevant to TRs (eg the FIEA, the the Companies Act and general bankruptcy acts) against the PFMIs, the AT identified some gaps and inconsistencies between these documents and the PFMIs. Below are the key areas where the AT identified ***important*** gaps between the Supervisory Guidelines and the PFMIs related to TRs:

- *Governance (Principle 2). The Supervisory Guidelines omit a number of key governance requirements, including: the need to disclose governance arrangements; the need for the risk framework to address decision-making in crises and emergencies; the need for the risk management function to have sufficient authority, independence, resources and access to the board; and the need to appropriately reflect the legitimate interests of the FMI's direct and indirect participants, and other relevant stakeholders.*
- *Consideration of risks posed to and from key participants and other FMIs (Principles 3, 17 and 20). The Supervisory Guidelines do not address the requirement for a TR that establishes a link with one or more FMIs to identify, monitor, and manage link-related risks. In addition, the Supervisory Guidelines do not explicitly require a TR to review the material risks, including operational risk, it bears from and poses to other entities.*

- *Operational risk (Principle 17). The Supervisory Guidelines do not include a specific requirement that a TR's board of directors endorse a risk management framework specific to operational risks. There is a general requirement that a TR's board set up a policy managing all risks, but this requirement does not expressly mention operational risk. In addition, the Supervisory Guidelines require periodic testing of systems, operational policies, procedures and controls for IT risk alone, not a more general testing of all forms of operational risk. Finally, the Supervisory Guidelines do not require a TR to have a comprehensive physical security policy in place as required by Key Consideration 5.*
- *Disclosure of rules, key procedures, and market data (Principle 23). The Supervisory Guidelines do not expressly require a TR to complete and disclose the CPSS-IOSCO Disclosure Framework on a regular basis as required in Key Consideration 5.*

Other differences between the FSA Supervisory Guidelines and the PFMIs

Other, more minor gaps and differences exist between the Supervisory Guidelines and a number of Principles. In particular, the AT has identified other gaps and inconsistencies related to Principle 3 (framework for the comprehensive management of risks), Principle 15 (general business risk), Principle 18 (access and participation requirements), Principle 21 (efficiency and effectiveness) and Principle 22 (communication procedures and standards). The AT recommends that the FSA review the minor gaps and inconsistencies that have been identified for those Principles in Section 4.2 and take action to remove ambiguity regarding the FSA's expectations.

4.2 Japan's completeness and consistency with the Principles – Review and recommendations

4.2.1 Central Counterparties

The detailed assessment below incorporates the AT's view of the completeness and consistency of the Japanese regulatory and oversight framework with the Principles. Each principle has been rated as consistent; however, the AT has highlighted areas where the Supervisory Guidelines would benefit from additional clarity.

1. Text of applicable Principles and Key Considerations[11]	2. Implementation measures of the jurisdiction	3. Key conclusions	4. Recommendations and comments
Principle 1: Legal basis **An FMI should have a well-founded, clear, transparent, and enforceable legal basis for each material aspect of its activities in all relevant jurisdictions.**		Consistent	
1. The legal basis should provide a high degree of certainty for each material aspect of an FMI's activities in all relevant jurisdictions.	The FSA published a policy statement on 18 December 2012. The measure came into force on the same date. Further, the FSA published its Supervisory Guidelines in December 2013. The FIEA is the specific legislation that defines licensing requirements for FMIs. Provisions specific to CCPs are found in FIEA articles 156-2 to 156-20. The BOJ published its Policy on Oversight of Financial Market Infrastructures on 12 March 2013. The measure came into force on 1 April 2013. CCPs are also subject to a number of general legislation, including the Companies Act and general bankruptcy acts.		

[11] Only the relevant principles for CCPs (as set forth in the annex E of the PFMIs) are included.

1. Text of applicable Principles and Key Considerations[11]	2. Implementation measures of the jurisdiction	3. Key conclusions	4. Recommendations and comments
2. An FMI should have rules, procedures, and contracts that are clear, understandable, and consistent with relevant laws and regulations.	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-4-1 on Points to Consider regarding Authorization of Business Rules, etc. BOJ - Policy on Oversight of Financial Market Infrastructures		
3. An FMI should be able to articulate the legal basis for its activities to relevant authorities, participants, and, where relevant, participants' customers, in a clear and understandable way.	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-4-1 on Points to Consider regarding Authorization of Business Rules, etc. BOJ - Policy on Oversight of Financial Market Infrastructures		
4. An FMI should have rules, procedures, and contracts that are enforceable in all relevant jurisdictions. There should be a high degree of certainty that actions taken by the FMI under such rules and procedures will not be voided, reversed, or subject to stays.	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-4-1 on Points to Consider regarding Authorization of Business Rules, etc. BOJ - Policy on Oversight of Financial Market Infrastructures		
5. An FMI conducting business in multiple jurisdictions should identify and mitigate the risks arising from any potential conflict of laws across jurisdictions.	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-4-1 on Points to Consider regarding Authorization of Business Rules, etc. BOJ - Policy on Oversight of Financial Market Infrastructures		

1. Text of applicable Principles and Key Considerations[11]	2. Implementation measures of the jurisdiction	3. Key conclusions	4. Recommendations and comments
Principle 2: Governance **An FMI should have governance arrangements that are clear and transparent, promote the safety and efficiency of the FMI, and support the stability of the broader financial system, other relevant public interest considerations, and the objectives of relevant stakeholders.**		Consistent While the Supervisory Guidelines differ in language from the PFMIs, the various statements and guidance put out by both Japanese authorities, taken together, convey the authorities' intent to fully implement the PFMIs in a consistent manner.	Where there are inconsistencies in language or requirements between the Supervisory Guidelines and the PFMIs, the FSA should provide clarity to CCPs with respect to minimum standards.
1. *An FMI should have objectives that place a high priority on the safety and efficiency of the FMI and explicitly support financial stability and other relevant public interest considerations.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-1-1 on Governance System BOJ - Policy on Oversight of Financial Market Infrastructures		
2. *An FMI should have documented governance arrangements that provide clear and direct lines of responsibility and accountability. These arrangements should be disclosed to owners, relevant authorities, participants, and, at a more general level, the public.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-1-1 on Governance System FIEA article 156-4 on Criteria for License Examination BOJ - Policy on Oversight of Financial Market Infrastructures Companies Act		
3. *The roles and responsibilities of an FMI's board of directors (or equivalent) should be clearly specified, and there should be documented procedures for its functioning, including procedures to identify, address, and manage member conflicts of interest. The board should review both its overall performance*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-1-1 on Governance System FIEA article 156-4 on Criteria for License Examination BOJ - Policy on Oversight of Financial Market Infrastructures		

1. Text of applicable Principles and Key Considerations[11]	2. Implementation measures of the jurisdiction	3. Key conclusions	4. Recommendations and comments
and the performance of its individual board members regularly.	Companies Act		
4. *The board should contain suitable members with the appropriate skills and incentives to fulfil its multiple roles. This typically requires the inclusion of non-executive board member(s).*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-1-1 on Governance System Supervisory Guidelines section III-1-3 on Staffing FIEA article 156-4 on Criteria for License Examination BOJ - Policy on Oversight of Financial Market Infrastructures Companies Act		
5. *The roles and responsibilities of management should be clearly specified. An FMI's management should have the appropriate experience, a mix of skills, and the integrity necessary to discharge their responsibilities for the operation and risk management of the FMI.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-1-1 on Governance System FIEA article 156-4 on Criteria for License Examination BOJ - Policy on Oversight of Financial Market Infrastructures Companies Act		
6. *The board should establish a clear, documented risk-management framework that includes the FMI's risk-tolerance policy, assigns responsibilities and accountability for risk decisions, and addresses decision making in crises and emergencies. Governance arrangements should ensure that the risk-management and internal control functions have*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-1-1 on Governance System Supervisory Guidelines section III-2-2 Comprehensive Risk Management Framework BOJ - Policy on Oversight of Financial Market Infrastructures	The Supervisory Guidelines do not explicitly address risk-management functions having sufficient authority, independence, resources and access to the board.	

1. Text of applicable Principles and Key Considerations[11]	2. Implementation measures of the jurisdiction	3. Key conclusions	4. Recommendations and comments
sufficient authority, independence, resources, and access to the board.			
7. *The board should ensure that the FMI's design, rules, overall strategy, and major decisions reflect appropriately the legitimate interests of its direct and indirect participants and other relevant stakeholders. Major decisions should be clearly disclosed to relevant stakeholders and, where there is a broad market impact, the public.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-1-1 on Governance System BOJ - Policy on Oversight of Financial Market Infrastructures	The Supervisory Guidelines do not explicitly require a CCP to reflect the legitimate interests of its direct and indirect participants in its design, rules, overall strategy, and major decisions, or clearly disclose major decisions to relevant stakeholders. However, the Supervisory Guidelines explicitly require a CCP's board of directors to seek external experts when making major decisions, and disclose and explain major changes to its business rules to participants and their customers.	
Principle 3: Framework for the comprehensive management of risks **An FMI should have a sound risk-management framework for comprehensively managing legal, credit, liquidity, operational, and other risks.**		Consistent While the Supervisory Guidelines differ in language from the PFMIs, the various statements and guidance put out by both Japanese authorities, taken together; convey the authorities' intent to fully implement the PFMIs in a consistent manner.	Where there are inconsistencies in language or requirements between the Supervisory Guidelines and the PFMIs, the FSA should provide clarity to CCPs with respect to minimum standards.
1. *An FMI should have risk-management policies, procedures, and systems that enable it to identify, measure, monitor, and manage the range of risks that arise in or are borne by the FMI. Risk-management frameworks should be subject to periodic review.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-2-2 on Comprehensive Risk Management Framework BOJ - Policy on Oversight of Financial Market Infrastructures		

1. Text of applicable Principles and Key Considerations[11]	2. Implementation measures of the jurisdiction	3. Key conclusions	4. Recommendations and comments
2. *An FMI should provide incentives to participants and, where relevant, their customers to manage and contain the risks they pose to the FMI.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-2-6 on Collateral System Supervisory Guidelines section III-3-1-2 on Fair Participation Requirements FIEA article 156-10 BOJ - Policy on Oversight of Financial Market Infrastructures	The Supervisory Guidelines require a CCP to have a collateral system that provides incentives to participants to manage and contain the risks that they pose to the CCP as well as loss sharing arrangements based on the exposures of participants to the CCP. The Supervisory Guidelines, however, do not address other potential incentive tools referenced by the PFMIs (such as risk-management policies and systems).	
3. *An FMI should regularly review the material risks it bears from and poses to other entities (such as other FMIs, settlement banks, liquidity providers, and service providers) as a result of interdependencies and develop appropriate risk-management tools to address these risks.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-2-2 on Comprehensive Risk Management Framework Supervisory Guidelines section III-3-3 on Operational Risk Management Supervisory Guidelines section III-3-4 on Information Technology Risk Management BOJ - Policy on Oversight of Financial Market Infrastructures		
4. *An FMI should identify scenarios that may potentially prevent it from being able to provide its critical operations and services as a going concern and assess the effectiveness of a full range of options for recovery or orderly wind-down. An FMI should prepare appropriate plans for its recovery or orderly wind-down based on the results of that assessment. Where applicable, an FMI should also provide relevant authorities with the information*	Cabinet Office Ordinance for Financial Instruments Clearing Organizations (Cabinet Office Ordinance No. 76 of December 6, 2002) Article 25 FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-3-2 on Business Continuity Management		

1. Text of applicable Principles and Key Considerations[11]	2. Implementation measures of the jurisdiction	3. Key conclusions	4. Recommendations and comments
needed for purposes of resolution planning.	Supervisory Guidelines section III-3-5 on Procedures to Deal with Participant Default, etc. FIEA Article 156-18 BOJ - Policy on Oversight of Financial Market Infrastructures		
Principle 4: Credit risk **An FMI should effectively measure, monitor, and manage its credit exposures to participants and those arising from its payment, clearing, and settlement processes. An FMI should maintain sufficient financial resources to cover its credit exposure to each participant fully with a high degree of confidence. In addition, a CCP that is involved in activities with a more-complex risk profile or that is systemically important in multiple jurisdictions should maintain additional financial resources sufficient to cover a wide range of potential stress scenarios that should include, but not be limited to, the default of the two participants and their affiliates that would potentially cause the largest aggregate credit exposure to the CCP in extreme but plausible market conditions. All other CCPs should maintain additional financial resources sufficient to cover a wide range of potential stress scenarios that should include, but not be limited to, the default of the participant and its affiliates that would potentially cause the largest aggregate credit exposure to the CCP in extreme but plausible market conditions.**		Consistent While the Supervisory Guidelines differ in language from the PFMIs, the various statements and guidance put out by both Japanese authorities, taken together, convey the authorities' intent to fully implement the PFMIs in a consistent manner.	Where there are inconsistencies in language or requirements between the Supervisory Guidelines and the PFMIs, the FSA should provide clarity to CCPs with respect to minimum standards.

1. Text of applicable Principles and Key Considerations[11]	2. Implementation measures of the jurisdiction	3. Key conclusions	4. Recommendations and comments
1. *An FMI should establish a robust framework to manage its credit exposures to its participants and the credit risks arising from its payment, clearing, and settlement processes. Credit exposure may arise from current exposures, potential future exposures, or both.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-2-3 on Credit Risk Management BOJ - Policy on Oversight of Financial Market Infrastructures		
2. *An FMI should identify sources of credit risk, routinely measure and monitor credit exposures, and use appropriate risk-management tools to control these risks.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-2-3 on Credit Risk Management BOJ - Policy on Oversight of Financial Market Infrastructures		
4. *A CCP should cover its current and potential future exposures to each participant fully with a high degree of confidence using margin and other prefunded financial resources (see Principle 5 on collateral and Principle 6 on margin). In addition, a CCP that is involved in activities with a more-complex risk profile or that is systemically important in multiple jurisdictions should maintain additional financial resources to cover a wide range of potential stress scenarios that should include, but not be limited to, the default of the two participants and their affiliates that would potentially cause the largest aggregate credit exposure for the CCP in extreme but plausible market conditions. All other CCPs should*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section II-2-3 on Credit Risk Management FIEA Article 156-7 BOJ - Policy on Oversight of Financial Market Infrastructures	The Supervisory Guidelines differ in language from the PFMIs in two important ways. **Additional pre-funded financial resources for CCPs that are neither systemically important in multiple jurisdictions nor has a complex risk profile.** The Supervisory Guidelines require a CCP that is neither systemically important in multiple jurisdictions nor has a complex risk profile maintain sufficient financial resources to cover the default two participants (unconsolidated) that would cause the largest aggregate credit exposure or the participant (consolidated) that would cause the largest aggregate credit exposure. There may be instances in which a cover two (unconsolidated) could be lower than a cover one (consolidated). However, all CCPs	

1. Text of applicable Principles and Key Considerations[11]	2. Implementation measures of the jurisdiction	3. Key conclusions	4. Recommendations and comments
maintain additional financial resources sufficient to cover a wide range of potential stress scenarios that should include, but not be limited to, the default of the participant and its affiliates that would potentially cause the largest aggregate credit exposure for the CCP in extreme but plausible market conditions. In all cases, a CCP should document its supporting rationale for, and should have appropriate governance arrangements relating to, the amount of total financial resources it maintains.		can withstand, at a minimum, the default of participant (consolidated) with the largest exposure and there are no CCPs that are subject to the cover two (unconsolidated) requirement. **Additional pre-funded financial resources for CCPs are not explicit about covering "a wide range of stress scenarios.**" The Supervisory Guidelines require a CCP to cover any of the following stress scenarios in consideration of extreme but plausible market conditions: (a) default of two participants that would cause the largest aggregate credit exposure or (b) default of the participant that would cause the largest aggregate credit exposure. This language is narrower than what is provided in the PFMIs, which state, "maintain additional financial resources sufficient to cover a wide range of potential stress scenarios that should include, but not be limited to, the default of [one/two participants]…." However, the stress testing requirements in the Supervisory Guidelines require a CCP to regularly test the sufficiency of financial resources through stress testing that considers "a variety of extreme but plausible market conditions," consistent with the PFMIs. While not explicit in the Supervisory Guidance, the FSA has indicated that a CCP would be required to maintain additional resources that would consider a wide range of scenarios.	

1. Text of applicable Principles and Key Considerations[11]	2. Implementation measures of the jurisdiction	3. Key conclusions	4. Recommendations and comments
5. *A CCP should determine the amount and regularly test the sufficiency of its total financial resources available in the event of a default or multiple defaults in extreme but plausible market conditions through rigorous stress testing. A CCP should have clear procedures to report the results of its stress tests to appropriate decision makers at the CCP and to use these results to evaluate the adequacy of and adjust its total financial resources. Stress tests should be performed daily using standard and predetermined parameters and assumptions. On at least a monthly basis, a CCP should perform a comprehensive and thorough analysis of stress testing scenarios, models, and underlying parameters and assumptions used to ensure they are appropriate for determining the CCP's required level of default protection in light of current and evolving market conditions. A CCP should perform this analysis of stress testing more frequently when the products cleared or markets served display high volatility, become less liquid, or when the size or concentration of positions held by a CCP's participants increases significantly. A full validation of a CCP's risk-management model should be performed at least annually.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-2-3 on Credit Risk Management BOJ - Policy on Oversight of Financial Market Infrastructures		
6. *In conducting stress testing, a CCP should consider the effect of a wide range of relevant stress scenarios in terms of both defaulters' positions and possible price*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-2-3 on Credit Risk Management		

1. Text of applicable Principles and Key Considerations[11]	2. Implementation measures of the jurisdiction	3. Key conclusions	4. Recommendations and comments
changes in liquidation periods. Scenarios should include relevant peak historic price volatilities, shifts in other market factors such as price determinants and yield curves, multiple defaults over various time horizons, simultaneous pressures in funding and asset markets, and a spectrum of forward-looking stress scenarios in a variety of extreme but plausible market conditions.	BOJ - Policy on Oversight of Financial Market Infrastructures		
7. *An FMI should establish explicit rules and procedures that address fully any credit losses it may face as a result of any individual or combined default among its participants with respect to any of their obligations to the FMI. These rules and procedures should address how potentially uncovered credit losses would be allocated, including the repayment of any funds an FMI may borrow from liquidity providers. These rules and procedures should also indicate the FMI's process to replenish any financial resources that the FMI may employ during a stress event, so that the FMI can continue to operate in a safe and sound manner.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-3-5 on Procedures to Deal with Participant Default, etc. BOJ - Policy on Oversight of Financial Market Infrastructures		
Principle 5: Collateral **An FMI that requires collateral to manage its or its participants' credit exposure should accept collateral with low credit, liquidity, and market risks. An FMI should also set and enforce appropriately conservative haircuts and concentration limits.**		Consistent	

1. Text of applicable Principles and Key Considerations[11]	2. Implementation measures of the jurisdiction	3. Key conclusions	4. Recommendations and comments
1. *An FMI should generally limit the assets it (routinely) accepts as collateral to those with low credit, liquidity, and market risks.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-2-6 on Collateral System BOJ - Policy on Oversight of Financial Market Infrastructures		
2. *An FMI should establish prudent valuation practices and develop haircuts that are regularly tested and take into account stressed market conditions.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-2-6 on Collateral System BOJ - Policy on Oversight of Financial Market Infrastructures		
3. *In order to reduce the need for procyclical adjustments, an FMI should establish stable and conservative haircuts that are calibrated to include periods of stressed market conditions, to the extent practicable and prudent.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-2-6 on Collateral System BOJ - Policy on Oversight of Financial Market Infrastructures		
4. *An FMI should avoid concentrated holdings of certain assets where this would significantly impair the ability to liquidate such assets quickly without significant adverse price effects.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-2-6 on Collateral System BOJ - Policy on Oversight of Financial Market Infrastructures		
5. *An FMI that accepts cross-border collateral should mitigate the risks associated with its use and ensure that the collateral can be used in a timely manner.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-2-6 on Collateral System		

1. Text of applicable Principles and Key Considerations[11]	2. Implementation measures of the jurisdiction	3. Key conclusions	4. Recommendations and comments
	BOJ - Policy on Oversight of Financial Market Infrastructures		
6. *An FMI should use a collateral management system that is well-designed and operationally flexible.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-2-6 on Collateral System Supervisory Guidelines section III-3-6 on Management of Collateral, etc. BOJ - Policy on Oversight of Financial Market Infrastructures		
Principle 6: Margin **A CCP should cover its credit exposures to its participants for all products through an effective margin system that is risk-based and regularly reviewed.**		Consistent While the Supervisory Guidelines differ in language from the PFMIs, the various statements and guidance put out by both Japanese authorities, taken together, convey the authorities' intent to fully implement the PFMIs in a consistent manner.	Where there are inconsistencies in language or requirements between the Supervisory Guidelines and the PFMIs, the FSA should provide clarity to CCPs with respect to minimum standards.
1. *A CCP should have a margin system that establishes margin levels commensurate with the risks and particular attributes of each product, portfolio, and market it serves.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-2-5 on Margin System BOJ - Policy on Oversight of Financial Market Infrastructures		
2. *A CCP should have a reliable source of timely price data for its margin system. A CCP should also have procedures and sound valuation models for addressing circumstances in which pricing data are not readily available or reliable.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-2-5 on Margin System BOJ - Policy on Oversight of Financial Market Infrastructures		
3. *A CCP should adopt initial margin models and parameters that are risk-*	FSA - Policy statement on supervision of FMIs		

1. Text of applicable Principles and Key Considerations[11]	2. Implementation measures of the jurisdiction	3. Key conclusions	4. Recommendations and comments
based and generate margin requirements sufficient to cover its potential future exposure to participants in the interval between the last margin collection and the close out of positions following a participant default. Initial margin should meet an established single-tailed confidence level of at least 99 percent with respect to the estimated distribution of future exposure. For a CCP that calculates margin at the portfolio level, this requirement applies to each portfolio's distribution of future exposure. For a CCP that calculates margin at more-granular levels, such as at the subportfolio level or by product, the requirement must be met for the corresponding distributions of future exposure. The model should (a) use a conservative estimate of the time horizons for the effective hedging or close out of the particular types of products cleared by the CCP (including in stressed market conditions), (b) have an appropriate method for measuring credit exposure that accounts for relevant product risk factors and portfolio effects across products, and (c) to the extent practicable and prudent, limit the need for destabilising, procyclical changes.	Supervisory Guidelines section III-2-5 on Margin System Supervisory Guidelines section III-2-6 on Collateral System BOJ - Policy on Oversight of Financial Market Infrastructures		
4. A CCP should mark participant positions to market and collect variation margin at least daily to limit the build-up of current exposures. A CCP should have the authority and operational capacity to make intraday margin calls and payments, both scheduled and	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-2-5 on Margin System BOJ - Policy on Oversight of Financial		

1. Text of applicable Principles and Key Considerations[11]	2. Implementation measures of the jurisdiction	3. Key conclusions	4. Recommendations and comments
unscheduled, to participants.	Market Infrastructures		
5. *In calculating margin requirements, a CCP may allow offsets or reductions in required margin across products that it clears or between products that it and another CCP clear, if the risk of one product is significantly and reliably correlated with the risk of the other product. Where two or more CCPs are authorised to offer cross-margining, they must have appropriate safeguards and harmonised overall risk-management systems.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-2-5 on Margin System BOJ - Policy on Oversight of Financial Market Infrastructures		
6. *A CCP should analyse and monitor its model performance and overall margin coverage by conducting rigorous daily backtesting and at least monthly, and more-frequent where appropriate, sensitivity analysis. A CCP should regularly conduct an assessment of the theoretical and empirical properties of its margin model for all products it clears. In conducting sensitivity analysis of the model's coverage, a CCP should take into account a wide range of parameters and assumptions that reflect possible market conditions, including the most-volatile periods that have been experienced by the markets it serves and extreme changes in the correlations between prices.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-2-5 on Margin System BOJ - Policy on Oversight of Financial Market Infrastructures	The Supervisory Guidelines differ in language from the PFMIs with respect to the range of parameters and assumptions that is used in assessing the performance of the margin calculation model.	
7. *A CCP should regularly review and validate its margin system.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-2-2 on Comprehensive Risk Management		

1. Text of applicable Principles and Key Considerations[11]	2. Implementation measures of the jurisdiction	3. Key conclusions	4. Recommendations and comments
	Framework Supervisory Guidelines section III-2-5 on Margin System BOJ - Policy on Oversight of Financial Market Infrastructures		
Principle 7: Liquidity risk **An FMI should effectively measure, monitor, and manage its liquidity risk. An FMI should maintain sufficient liquid resources in all relevant currencies to effect same-day and, where appropriate, intraday and multiday settlement of payment obligations with a high degree of confidence under a wide range of potential stress scenarios that should include, but not be limited to, the default of the participant and its affiliates that would generate the largest aggregate liquidity obligation for the FMI in extreme but plausible market conditions.**		Consistent. While the Supervisory Guidelines differ in language from the PFMIs, the various statements and guidance put out by both Japanese authorities, taken together, convey the authorities' intent to fully implement the PFMIs in a consistent manner.	Where there are inconsistencies in language or requirements between the Supervisory Guidelines and the PFMIs, the FSA should provide clarity to CCPs with respect to minimum standards.
1. An FMI should have a robust framework to manage its liquidity risks from its participants, settlement banks, nostro agents, custodian banks, liquidity providers, and other entities.	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-2-4 on Liquidity Risk Management BOJ - Policy on Oversight of Financial Market Infrastructures		
2. An FMI should have effective operational and analytical tools to identify, measure, and monitor its settlement and funding flows on an ongoing and timely basis, including its use of intraday liquidity.	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-2-4 on Liquidity Risk Management BOJ - Policy on Oversight of Financial		

1. Text of applicable Principles and Key Considerations[11]	2. Implementation measures of the jurisdiction	3. Key conclusions	4. Recommendations and comments
	Market Infrastructures		
4. A CCP should maintain sufficient liquid resources in all relevant currencies to settle securities-related payments, make required variation margin payments, and meet other payment obligations on time with a high degree of confidence under a wide range of potential stress scenarios that should include, but not be limited to, the default of the participant and its affiliates that would generate the largest aggregate payment obligation to the CCP in extreme but plausible market conditions. In addition, a CCP that is involved in activities with a more-complex risk profile or that is systemically important in multiple jurisdictions should consider maintaining additional liquidity resources sufficient to cover a wider range of potential stress scenarios that should include, but not be limited to, the default of the two participants and their affiliates that would generate the largest aggregate payment obligation to the CCP in extreme but plausible market conditions.	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-2-4 on Liquidity Risk Management BOJ - Policy on Oversight of Financial Market Infrastructures	The Supervisory Guidelines differ in language from the PFMIs in a few important ways. **Liquidity resources for CCPs are not explicit about covering "a wide range of potential stress scenarios.**" The Supervisory Guidelines require a CCP to maintain liquidity resources to cover any of the following stress scenarios in consideration of extreme but plausible market conditions: (a) default of two participants that would generate the largest aggregate payment obligation or (b) default of the participant that would generate the largest aggregate payment obligation. This language is narrower than what is provided in the PFMIs, which state, "maintain sufficient liquid resources… to meet… payment obligations on time… under a wide range of potential stress scenarios that should include, but not be limited to, the default of [one/two participants]…." However, the liquidity stress testing requirement in the Supervisory Guidelines require a CCP to regularly test the sufficiency of liquidity resources through stress-testing that considers "a variety of extreme but plausible market conditions," consistent with the PFMIs. While not explicit in the Supervisory Guidance, the FSA has	

1. Text of applicable Principles and Key Considerations[11]	2. Implementation measures of the jurisdiction	3. Key conclusions	4. Recommendations and comments
		indicated that a CCP would be required to maintain liquidity resources that would consider a wide range of scenarios. **Lack of a requirement to hold relevant currencies.** The Supervisory Guidelines do not reference explicitly the need to maintain sufficient liquid resources in all currencies. The FSA expects a CCP to hold a CCP to maintain sufficient liquid resources in all relevant currencies to make its payment obligations, consistent with the PFMIs. Furthermore, no CCPs currently clear or settle in foreign currencies.	
5. *For the purpose of meeting its minimum liquid resource requirement, an FMI's qualifying liquid resources in each currency include cash at the central bank of issue and at creditworthy commercial banks, committed lines of credit, committed foreign exchange swaps, and committed repos, as well as highly marketable collateral held in custody and investments that are readily available and convertible into cash with prearranged and highly reliable funding arrangements, even in extreme but plausible market conditions. If an FMI has access to routine credit at the central bank of issue, the FMI may count such access as part of the minimum requirement to the extent it has collateral that is eligible for pledging to (or for conducting other appropriate forms of transactions with) the relevant*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-2-4 on Liquidity Risk Management BOJ - Policy on Oversight of Financial Market Infrastructures		

1. Text of applicable Principles and Key Considerations[11]	2. Implementation measures of the jurisdiction	3. Key conclusions	4. Recommendations and comments
central bank. All such resources should be available when needed.			
6. *An FMI may supplement its qualifying liquid resources with other forms of liquid resources. If the FMI does so, then these liquid resources should be in the form of assets that are likely to be saleable or acceptable as collateral for lines of credit, swaps, or repos on an ad hoc basis following a default, even if this cannot be reliably prearranged or guaranteed in extreme market conditions. Even if an FMI does not have access to routine central bank credit, it should still take account of what collateral is typically accepted by the relevant central bank, as such assets may be more likely to be liquid in stressed circumstances. An FMI should not assume the availability of emergency central bank credit as a part of its liquidity plan.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-2-4 on Liquidity Risk Management BOJ - Policy on Oversight of Financial Market Infrastructures		
7. *An FMI should obtain a high degree of confidence, through rigorous due diligence, that each provider of its minimum required qualifying liquid resources, whether a participant of the FMI or an external party, has sufficient information to understand and to manage its associated liquidity risks, and that it has the capacity to perform as required under its commitment. Where relevant to assessing a liquidity provider's performance reliability with respect to a particular currency, a liquidity provider's potential access to credit from the central*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-2-4 on Liquidity Risk Management Supervisory Guidelines section III-3-5 on Procedures to Deal with Participant Default, etc. BOJ - Policy on Oversight of Financial Market Infrastructures	The Supervisory Guidelines do not explicitly require a CCP "to regularly test its procedures for accessing its liquid resources at a liquidity provider."	

1. Text of applicable Principles and Key Considerations[11]	2. Implementation measures of the jurisdiction	3. Key conclusions	4. Recommendations and comments
bank of issue may be taken into account. An FMI should regularly test its procedures for accessing its liquid resources at a liquidity provider.			
8. *An FMI with access to central bank accounts, payment services, or securities services should use these services, where practical, to enhance its management of liquidity risk.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-2-4 on Liquidity Risk Management BOJ - Policy on Oversight of Financial Market Infrastructures		
9. *An FMI should determine the amount and regularly test the sufficiency of its liquid resources through rigorous stress testing. An FMI should have clear procedures to report the results of its stress tests to appropriate decision makers at the FMI and to use these results to evaluate the adequacy of and adjust its liquidity risk-management framework. In conducting stress testing, an FMI should consider a wide range of relevant scenarios. Scenarios should include relevant peak historic price volatilities, shifts in other market factors such as price determinants and yield curves, multiple defaults over various time horizons, simultaneous pressures in funding and asset markets, and a spectrum of forward-looking stress scenarios in a variety of extreme but plausible market conditions. Scenarios should also take into account the design and operation of the FMI, include all entities that might pose material liquidity risks to the FMI (such as settlement*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-2-4 on Liquidity Risk Management BOJ - Policy on Oversight of Financial Market Infrastructures		

1. Text of applicable Principles and Key Considerations[11]	2. Implementation measures of the jurisdiction	3. Key conclusions	4. Recommendations and comments
banks, nostro agents, custodian banks, liquidity providers, and linked FMIs), and where appropriate, cover a multiday period. In all cases, an FMI should document its supporting rationale for, and should have appropriate governance arrangements relating to, the amount and form of total liquid resources it maintains.			
10. *An FMI should establish explicit rules and procedures that enable the FMI to effect same-day and, where appropriate, intraday and multiday settlement of payment obligations on time following any individual or combined default among its participants. These rules and procedures should address unforeseen and potentially uncovered liquidity shortfalls and should aim to avoid unwinding, revoking, or delaying the same-day settlement of payment obligations. These rules and procedures should also indicate the FMI's process to replenish any liquidity resources it may employ during a stress event, so that it can continue to operate in a safe and sound manner.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-3-5 on Procedures to Deal with Participant Default, etc. BOJ - Policy on Oversight of Financial Market Infrastructures		

1. Text of applicable Principles and Key Considerations[11]	2. Implementation measures of the jurisdiction	3. Key conclusions	4. Recommendations and comments
Principle 8: Settlement finality **An FMI should provide clear and certain final settlement, at a minimum by the end of the value date. Where necessary or preferable, an FMI should provide final settlement intraday or in real time.**		Consistent	
1. An FMI's rules and procedures should clearly define the point at which settlement is final.	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-4-1 on Points to Consider regarding Authorization of Business Rules, etc. BOJ - Policy on Oversight of Financial Market Infrastructures		
2. An FMI should complete final settlement no later than the end of the value date, and preferably intraday or in real time, to reduce settlement risk.	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section II-1-1 on General Supervisory Processes FIEA Article 156-4 on Criteria for License Examination FIEA Article 156-7 on Business Rules FIEA Article 156-11-2 on Procedures, etc, Taken at the Time of Commencement of the Special Liquidation Proceedings, etc. BOJ - Policy on Oversight of Financial Market Infrastructures		
3. An FMI should clearly define the point after which unsettled payments, transfer instructions, or other obligations may not be revoked by a participant.	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-4-1 on Points to Consider regarding		

1. Text of applicable Principles and Key Considerations[11]	2. Implementation measures of the jurisdiction	3. Key conclusions	4. Recommendations and comments
	Authorization of Business Rules, etc. BOJ - Policy on Oversight of Financial Market Infrastructures		
Principle 9: Money settlements **An FMI should conduct its money settlements in central bank money where practical and available. If central bank money is not used, an FMI should minimise and strictly control the credit and liquidity risk arising from the use of commercial bank money.**		Consistent While the Supervisory Guidelines differ in language from the PFMIs, the various statements and guidance put out by both Japanese authorities, taken together, convey the authorities' intent to fully implement the PFMIs in a consistent manner.	Where there are inconsistencies in language or requirements between the Supervisory Guidelines and the PFMIs, the FSA should provide clarity to CCPs with respect to minimum standards.
1. *An FMI should conduct its money settlements in central bank money, where practical and available, to avoid credit and liquidity risks.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-2-2 on Comprehensive Risk Management Framework BOJ - Policy on Oversight of Financial Market Infrastructures		
2. *If central bank money is not used, an FMI should conduct its money settlements using a settlement asset with little or no credit or liquidity risk.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-2-2 on Comprehensive Risk Management Framework BOJ - Policy on Oversight of Financial Market Infrastructures		
3. *If an FMI settles in commercial bank money, it should monitor, manage, and limit its credit and liquidity risks arising from the commercial settlement banks. In particular, an FMI should establish and monitor adherence to strict criteria for its settlement banks that take account of,*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-2-2 on Comprehensive Risk Management Framework. BOJ - Policy on Oversight of Financial Market Infrastructures		

1. Text of applicable Principles and Key Considerations[11]	2. Implementation measures of the jurisdiction	3. Key conclusions	4. Recommendations and comments
among other things, their regulation and supervision, creditworthiness, capitalisation, access to liquidity, and operational reliability. An FMI should also monitor and manage the concentration of credit and liquidity exposures to its commercial settlement banks.			
4. *If an FMI conducts money settlements on its own books, it should minimise and strictly control its credit and liquidity risks.*	FSA - Policy statement on supervision of FMIs BOJ - Policy on Oversight of Financial Market Infrastructures	Note that CCPs in Japan conduct money settlements in central bank money and/or commercial bank money.	
5. *An FMI's legal agreements with any settlement banks should state clearly when transfers on the books of individual settlement banks are expected to occur, that transfers are to be final when effected, and that funds received should be transferable as soon as possible, at a minimum by the end of the day and ideally intraday, in order to enable the FMI and its participants to manage credit and liquidity risks.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-4-1 on Points to Consider regarding Authorization of Business Rules, etc. BOJ - Policy on Oversight of Financial Market Infrastructures	The Supervisory Guidelines do not explicitly require a CCP to maintain legal agreements with its settlement banks that clearly state when transfers on their books are expected to occur and that funds received should be transferable as soon as possible (at a minimum by the end of the day and ideally intraday). However, these legal agreements are part of the CCP's business rules.	
Principle 10: Physical deliveries **An FMI should clearly state its obligations with respect to the delivery of physical instruments or commodities and should identify, monitor, and manage the risks associated with such physical deliveries.**		Consistent Note that all securities cleared by financial CCPs authorized under FIEA are dematerialized and no physical delivery of securities is conducted.	

1. Text of applicable Principles and Key Considerations[11]	2. Implementation measures of the jurisdiction	3. Key conclusions	4. Recommendations and comments
1. An FMI's rules should clearly state its obligations with respect to the delivery of physical instruments or commodities.	FSA - Policy statement on supervision of FMIs BOJ - Policy on Oversight of Financial Market Infrastructures		
2. An FMI should identify, monitor, and manage the risks and costs associated with the storage and delivery of physical instruments or commodities.	FSA - Policy statement on supervision of FMIs BOJ - Policy on Oversight of Financial Market Infrastructures		
Principle 12: Exchange-of-value settlement systems **If an FMI settles transactions that involve the settlement of two linked obligations (for example, securities or foreign exchange transactions), it should eliminate principal risk by conditioning the final settlement of one obligation upon the final settlement of the other.**		Consistent While the Supervisory Guidelines differ in language from the PFMIs, the various statements and guidance put out by both Japanese authorities, taken together, convey the authorities' intent to fully implement the PFMIs in a consistent manner.	Where there are inconsistencies in language or requirements between the Supervisory Guidelines and the PFMIs, the FSA should provide clarity to CCPs with respect to minimum standards.
1. *An FMI that is an exchange-of-value settlement system should eliminate principal risk by ensuring that the final settlement of one obligation occurs if and only if the final settlement of the linked obligation also occurs, regardless of whether the FMI settles on a gross or net basis and when finality occurs.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section II-1-1 General Supervisory Processes FIEA Article 156-4 on Criteria for License Examination BOJ - Policy on Oversight of Financial Market Infrastructures	The Supervisory Guidelines do not explicitly require that exchange-of-value settlements eliminate principal risk by ensuring that the final settlement of one obligation occurs if and only if the final settlement of the linked obligation also occurs. However, this principle is market convention in Japan.	

1. Text of applicable Principles and Key Considerations[11]	2. Implementation measures of the jurisdiction	3. Key conclusions	4. Recommendations and comments
Principle 13: Participant-default rules and procedures **An FMI should have effective and clearly defined rules and procedures to manage a participant default. These rules and procedures should be designed to ensure that the FMI can take timely action to contain losses and liquidity pressures and continue to meet its obligations.**		Consistent	
1. *An FMI should have default rules and procedures that enable the FMI to continue to meet its obligations in the event of a participant default and that address the replenishment of resources following a default.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-3-5 on Procedures to Deal with Participant Default, etc. BOJ - Policy on Oversight of Financial Market Infrastructures		
2. *An FMI should be well prepared to implement its default rules and procedures, including any appropriate discretionary procedures provided for in its rules.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-3-5 on Procedures to Deal with Participant Default, etc. BOJ - Policy on Oversight of Financial Market Infrastructures		
3. *An FMI should publicly disclose key aspects of its default rules and procedures.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-3-5 on Procedures to Deal with Participant Default, etc. Supervisory Guidelines section III-3-6 on Management of Collateral, etc. BOJ - Policy on Oversight of Financial Market Infrastructures		

1. Text of applicable Principles and Key Considerations[11]	2. Implementation measures of the jurisdiction	3. Key conclusions	4. Recommendations and comments
4. An FMI should involve its participants and other stakeholders in the testing and review of the FMI's default procedures, including any close-out procedures. Such testing and review should be conducted at least annually or following material changes to the rules and procedures to ensure that they are practical and effective.	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-3-5 on Procedures to Deal with Participant Default, etc. BOJ - Policy on Oversight of Financial Market Infrastructures		
Principle 14: Segregation and portability **A CCP should have rules and procedures that enable the segregation and portability of positions of a participant's customers and the collateral provided to the CCP with respect to those positions.**		Consistent	
1. A CCP should, at a minimum, have segregation and portability arrangements that effectively protect a participant's customers' positions and related collateral from the default or insolvency of that participant. If the CCP additionally offers protection of such customer positions and collateral against the concurrent default of the participant and a fellow customer, the CCP should take steps to ensure that such protection is effective.	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-3-6 on Management of Collateral, etc. FIEA Article 43-2 on Separate Management BOJ - Policy on Oversight of Financial Market Infrastructures		
2. A CCP should employ an account structure that enables it readily to identify positions of a participant's customers and to segregate related collateral. A CCP should maintain customer positions and collateral in individual customer accounts or in omnibus customer accounts.	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-3-6 on Management of Collateral, etc. BOJ - Policy on Oversight of Financial Market Infrastructures		

1. Text of applicable Principles and Key Considerations[11]	2. Implementation measures of the jurisdiction	3. Key conclusions	4. Recommendations and comments
3. *A CCP should structure its portability arrangements in a way that makes it highly likely that the positions and collateral of a defaulting participant's customers will be transferred to one or more other participants.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-3-6 on Management of Collateral, etc. BOJ - Policy on Oversight of Financial Market Infrastructures		
4. *A CCP should disclose its rules, policies, and procedures relating to the segregation and portability of a participant's customers' positions and related collateral. In particular, the CCP should disclose whether customer collateral is protected on an individual or omnibus basis. In addition, a CCP should disclose any constraints, such as legal or operational constraints, that may impair its ability to segregate or port a participant's customers' positions and related collateral.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-3-6 on Management of Collateral, etc. Supervisory Guidelines section III-4-1 on Points to Consider regarding Authorization of Business Rules, etc. FIEA Article 156-11-2 BOJ - Policy on Oversight of Financial Market Infrastructures		
Principle 15: General business risk **An FMI should identify, monitor, and manage its general business risk and hold sufficient liquid net assets funded by equity to cover potential general business losses so that it can continue operations and services as a going concern if those losses materialise. Further, liquid net assets should at all times be sufficient to ensure a recovery or orderly wind-down of critical operations and services.**		Consistent While the Supervisory Guidelines do not fully address this principle, the various statements and guidance put out by both Japanese authorities taken together, convey the authorities' intent to fully implement the PFMIs in a consistent manner.	Where there are inconsistencies in language or requirements between the Supervisory Guidelines and the PFMIs, the FSA should provide clarity to CCPs with respect to minimum standards.

1. Text of applicable Principles and Key Considerations[11]	2. Implementation measures of the jurisdiction	3. Key conclusions	4. Recommendations and comments
1. *An FMI should have robust management and control systems to identify, monitor, and manage general business risks, including losses from poor execution of business strategy, negative cash flows, or unexpected and excessively large operating expenses.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-2-1 on Adequacy of Capital BOJ - Policy on Oversight of Financial Market Infrastructures	The Supervisory Guidelines have no requirements that a CCP have robust management and control systems to identify, monitor, and manage general business risks, although there are requirements that a CCP have processes to formulate a capital plan to address business risks.	
2. *An FMI should hold liquid net assets funded by equity (such as common stock, disclosed reserves, or other retained earnings) so that it can continue operations and services as a going concern if it incurs general business losses. The amount of liquid net assets funded by equity an FMI should hold should be determined by its general business risk profile and the length of time required to achieve a recovery or orderly wind-down, as appropriate, of its critical operations and services if such action is taken.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-2-1 on Adequacy of Capital BOJ - Policy on Oversight of Financial Market Infrastructures		
3. *An FMI should maintain a viable recovery or orderly wind-down plan and should hold sufficient liquid net assets funded by equity to implement this plan. At a minimum, an FMI should hold liquid net assets funded by equity equal to at least six months of current operating expenses. These assets are in addition to resources held to cover participant defaults or other risks covered under the financial resources principles. However, equity held under international risk-based capital standards can be included where relevant*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-2-1 on Adequacy of Capital BOJ - Policy on Oversight of Financial Market Infrastructures		

1. Text of applicable Principles and Key Considerations[11]	2. Implementation measures of the jurisdiction	3. Key conclusions	4. Recommendations and comments
and appropriate to avoid duplicate capital requirements.			
4. *Assets held to cover general business risk should be of high quality and sufficiently liquid in order to allow the FMI to meet its current and projected operating expenses under a range of scenarios, including in adverse market conditions.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-2-1 on Adequacy of Capital BOJ - Policy on Oversight of Financial Market Infrastructures		
5. *An FMI should maintain a viable plan for raising additional equity should its equity fall close to or below the amount needed. This plan should be approved by the board of directors and updated regularly.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-2-1 on Adequacy of Capital BOJ - Policy on Oversight of Financial Market Infrastructures		
Principle 16: Custody and investment risks **An FMI should safeguard its own and its participants' assets and minimise the risk of loss on and delay in access to these assets. An FMI's investments should be in instruments with minimal credit, market, and liquidity risks.**		Consistent	
1. *An FMI should hold its own and its participants' assets at supervised and regulated entities that have robust accounting practices, safekeeping procedures, and internal controls that fully protect these assets.*	Cabinet Office Ordinance for Financial Instruments Clearing Organizations (Cabinet Office Ordinance No. 76 of December 6, 2002) FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-3-6 on		

1. Text of applicable Principles and Key Considerations[11]	2. Implementation measures of the jurisdiction	3. Key conclusions	4. Recommendations and comments
	Management of Collateral, etc. BOJ - Policy on Oversight of Financial Market Infrastructures		
2. *An FMI should have prompt access to its assets and the assets provided by participants, when required.*	Cabinet Office Ordinance for Financial Instruments Clearing Organizations (Cabinet Office Ordinance No. 76 of December 6, 2002) FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-3-6 on Management of Collateral, etc. BOJ - Policy on Oversight of Financial Market Infrastructures		
3. *An FMI should evaluate and understand its exposures to its custodian banks, taking into account the full scope of its relationships with each.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-2-2 on Comprehensive Risk Management Framework BOJ - Policy on Oversight of Financial Market Infrastructures		
4. *An FMI's investment strategy should be consistent with its overall risk-management strategy and fully disclosed to its participants, and investments should be secured by, or be claims on, high-quality obligors. These investments should allow for quick liquidation with little, if any, adverse price effect.*	Cabinet Office Ordinance for Financial Instruments Clearing Organizations (Cabinet Office Ordinance No. 76 of December 6, 2002) FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-3-6 on Management of Collateral, etc. BOJ - Policy on Oversight of Financial		

1. Text of applicable Principles and Key Considerations[11]	2. Implementation measures of the jurisdiction	3. Key conclusions	4. Recommendations and comments
	Market Infrastructures		
Principle 17: Operational risk **An FMI should identify the plausible sources of operational risk, both internal and external, and mitigate their impact through the use of appropriate systems, policies, procedures, and controls. Systems should be designed to ensure a high degree of security and operational reliability and should have adequate, scalable capacity. Business continuity management should aim for timely recovery of operations and fulfilment of the FMI's obligations, including in the event of a wide-scale or major disruption.**		Consistent While the Supervisory Guidelines differ in language from the PFMIs, the various statements and guidance put out by both Japanese authorities, taken together, convey the authorities' intent to fully implement the PFMIs in a consistent manner.	Where there are inconsistencies in language or requirements between the Supervisory Guidelines and the PFMIs, the FSA should provide clarity to CCPs with respect to minimum standards.
1. *An FMI should establish a robust operational risk-management framework with appropriate systems, policies, procedures, and controls to identify, monitor, and manage operational risks.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-3-2 on Business Continuity Management Supervisory Guidelines section III-3-3 on Operational Risk Management Supervisory Guidelines section III-3-4 on Information Technology Risk Management BOJ - Policy on Oversight of Financial Market Infrastructures		
2. *An FMI's board of directors should clearly define the roles and responsibilities for addressing operational risk and should endorse the FMI's operational risk-management framework. Systems, operational policies, procedures, and*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-2-2 on Comprehensive Risk Management Framework Supervisory Guidelines section III-3-2 on	The Supervisory Guidelines do not explicitly require a CCP's board of directors to endorse an operational risk-management framework, although there are related general requirements under section III-1-1 on Risk Management	

1. Text of applicable Principles and Key Considerations[11]	2. Implementation measures of the jurisdiction	3. Key conclusions	4. Recommendations and comments
controls should be reviewed, audited, and tested periodically and after significant changes.	Business Continuity Management Supervisory Guidelines section III-3-3 on Operational Risk Management Supervisory Guidelines section III-3-4 on Information Technology Risk Management BOJ - Policy on Oversight of Financial Market Infrastructures	Framework. Further, the Supervisory Guidelines address only one form of operational risk – IT risk. For example, the requirement to periodically test systems, operational policies and procedures and controls is limited to IT risk.	
3. An FMI should have clearly defined operational reliability objectives and should have policies in place that are designed to achieve those objectives.	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-3-3 on Operational Risk Management BOJ - Policy on Oversight of Financial Market Infrastructures		
4. An FMI should ensure that it has scalable capacity adequate to handle increasing stress volumes and to achieve its service-level objectives.	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-3-3 on Operational Risk Management BOJ - Policy on Oversight of Financial Market Infrastructures		
5. An FMI should have comprehensive physical and information security policies that address all potential vulnerabilities and threats.	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-3-4 on Information Technology Risk Management Supervisory Guidelines section III-3-2 on Business Continuity Management FIEA Article 156-4 on Criteria for License Examination BOJ - Policy on Oversight of Financial	The Supervisory Guidelines do not explicitly reference requirements relating to physical security (only information related to the BCP was provided).	

1. Text of applicable Principles and Key Considerations[11]	2. Implementation measures of the jurisdiction	3. Key conclusions	4. Recommendations and comments
	Market Infrastructures		
6. An FMI should have a business continuity plan that addresses events posing a significant risk of disrupting operations, including events that could cause a wide-scale or major disruption. The plan should incorporate the use of a secondary site and should be designed to ensure that critical information technology systems can resume operations within two hours following disruptive events. The plan should be designed to enable the FMI to complete settlement by the end of the day of the disruption, even in case of extreme circumstances. The FMI should regularly test these arrangements.	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-3-2 on Business Continuity Management BOJ - Policy on Oversight of Financial Market Infrastructures		
7. An FMI should identify, monitor, and manage the risks that key participants, other FMIs, and service and utility providers might pose to its operations. In addition, an FMI should identify, monitor, and manage the risks its operations might pose to other FMIs.	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-3-3 on Operational Risk Management Supervisory Guidelines section III-2-2 on Comprehensive Risk Management Framework BOJ - Policy on Oversight of Financial Market Infrastructures		

1. Text of applicable Principles and Key Considerations[11]	2. Implementation measures of the jurisdiction	3. Key conclusions	4. Recommendations and comments
Principle 18: Access and participation requirements **An FMI should have objective, risk-based, and publicly disclosed criteria for participation, which permit fair and open access.**		Consistent	
1. An FMI should allow for fair and open access to its services, including by direct and, where relevant, indirect participants and other FMIs, based on reasonable risk-related participation requirements.	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-3-1-2 on Fair Participation Requirements, etc. BOJ - Policy on Oversight of Financial Market Infrastructures		
2. An FMI's participation requirements should be justified in terms of the safety and efficiency of the FMI and the markets it serves, be tailored to and commensurate with the FMI's specific risks, and be publicly disclosed. Subject to maintaining acceptable risk control standards, an FMI should endeavour to set requirements that have the least-restrictive impact on access that circumstances permit.	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-3-1-2 on Fair Participation Requirements, etc. BOJ - Policy on Oversight of Financial Market Infrastructures		
3. An FMI should monitor compliance with its participation requirements on an ongoing basis and have clearly defined and publicly disclosed procedures for facilitating the suspension and orderly exit of a participant that breaches, or no longer meets, the participation requirements.	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-3-1-2 on Fair Participation Requirements, etc. BOJ - Policy on Oversight of Financial Market Infrastructures		

1. Text of applicable Principles and Key Considerations[11]	2. Implementation measures of the jurisdiction	3. Key conclusions	4. Recommendations and comments
Principle 19: Tiered participation arrangements **An FMI should identify, monitor, and manage the material risks to the FMI arising from tiered participation arrangements.**		Consistent	
1. An FMI should ensure that its rules, procedures, and agreements allow it to gather basic information about indirect participation in order to identify, monitor, and manage any material risks to the FMI arising from such tiered participation arrangements.	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-3-7 on Notes concerning Tiered Structure of Participants, etc. BOJ - Policy on Oversight of Financial Market Infrastructures		
2. An FMI should identify material dependencies between direct and indirect participants that might affect the FMI.	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section II-3-7 on Notes concerning Tiered Structure of Participants, etc. BOJ - Policy on Oversight of Financial Market Infrastructures		
3. An FMI should identify indirect participants responsible for a significant proportion of transactions processed by the FMI and indirect participants whose transaction volumes or values are large relative to the capacity of the direct participants through which they access the FMI in order to manage the risks arising from these transactions.	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section II-3-7 on Notes concerning Tiered Structure of Participants, etc. BOJ - Policy on Oversight of Financial Market Infrastructures		

1. Text of applicable Principles and Key Considerations[11]	2. Implementation measures of the jurisdiction	3. Key conclusions	4. Recommendations and comments
4. *An FMI should regularly review risks arising from tiered participation arrangements and should take mitigating action when appropriate.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section II-3-7 on Notes concerning Tiered Structure of Participants, etc. BOJ - Policy on Oversight of Financial Market Infrastructures		
Principle 20: FMI links **An FMI that establishes a link with one or more FMIs should identify, monitor, and manage link-related risks.**		Consistent While the Supervisory Guidelines do not address this principle, the various statements and guidance put out by both Japanese authorities, taken together, convey the authorities' intent to fully implement the PFMIs in a consistent manner.	Where there are inconsistencies in language or requirements between the Supervisory Guidelines and the PFMIs, the FSA should provide clarity to CCPs with respect to minimum standards.
1. *Before entering into a link arrangement and on an ongoing basis once the link is established, an FMI should identify, monitor, and manage all potential sources of risk arising from the link arrangement. Link arrangements should be designed such that each FMI is able to observe the other principles in this report.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-2-2 on Comprehensive Risk Management Framework FIEA articles 156-20-16 and 156-20-18 BOJ - Policy on Oversight of Financial Market Infrastructures	The Supervisory Guidelines do not specifically address risks arising from link arrangements.	
2. *A link should have a well-founded legal basis, in all relevant jurisdictions, that supports its design and provides adequate protection to the FMIs involved in the link.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-2-2 on Comprehensive Risk Management Framework FIEA articles 156-20-16 and 156-20-18 BOJ - Policy on Oversight of Financial	The Supervisory Guidelines do not specifically address risks arising from link arrangements.	

1. Text of applicable Principles and Key Considerations[11]	2. Implementation measures of the jurisdiction	3. Key conclusions	4. Recommendations and comments
	Market Infrastructures		
7. *Before entering into a link with another CCP, a CCP should identify and manage the potential spill-over effects from the default of the linked CCP. If a link has three or more CCPs, each CCP should identify, assess, and manage the risks of the collective link arrangement.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-2-2 on Comprehensive Risk Management Framework FIEA articles 156-20-16 and 156-20-18 BOJ - Policy on Oversight of Financial Market Infrastructures	The Supervisory Guidelines do not specifically address risks arising from link arrangements.	
8. *Each CCP in a CCP link arrangement should be able to cover, at least on a daily basis, its current and potential future exposures to the linked CCP and its participants, if any, fully with a high degree of confidence without reducing the CCP's ability to fulfil its obligations to its own participants at any time.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-2-2 on Comprehensive Risk Management Framework FIEA articles 156-20-16 and 156-20-18 BOJ - Policy on Oversight of Financial Market Infrastructures	The Supervisory Guidelines do not specifically address risks arising from link arrangements.	
Principle 21: Efficiency and effectiveness **An FMI should be efficient and effective in meeting the requirements of its participants and the markets it serves.**		Consistent While the Supervisory Guidelines do not address this principle, the various statements and guidance put out by both Japanese authorities, taken together, convey the authorities' intent to fully implement the PFMIs in a consistent manner.	Where there are inconsistencies in language or requirements between the Supervisory Guidelines and the PFMIs, the FSA should provide clarity to CCPs with respect to minimum standards.

1. Text of applicable Principles and Key Considerations[11]	2. Implementation measures of the jurisdiction	3. Key conclusions	4. Recommendations and comments
1. An FMI should be designed to meet the needs of its participants and the markets it serves, in particular, with regard to choice of a clearing and settlement arrangement; operating structure; scope of products cleared, settled, or recorded; and use of technology and procedures.	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section I-1-1 on Purpose of Supervision of Financial Market Infrastructures and Role of Supervisory Departments Supervisory Guidelines section III-4-1 on Points to Consider regarding Authorization of Business Rules, etc. FIEA article 156-4 (1) on Criteria for License Examination BOJ - Policy on Oversight of Financial Market Infrastructures		
2. An FMI should have clearly defined goals and objectives that are measurable and achievable, such as in the areas of minimum service levels, risk-management expectations, and business priorities.	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section I-1-1 on Purpose of Supervision of Financial Market Infrastructures and Role of Supervisory Departments Supervisory Guidance section III-1-1 on Governance System Supervisory Guidelines section III-4-1 Points to Consider regarding Authorization of Business Rules, etc. FIEA Article 156-4 (1) on Criteria for License Examination BOJ - Policy on Oversight of Financial Market Infrastructures	The Supervisory Guidelines do not specifically have requirements that a CCP have clearly defined goals and objectives that are measurable and achievable. However, the Guidelines do prescribe certain levels of service.	

1. Text of applicable Principles and Key Considerations[11]	2. Implementation measures of the jurisdiction	3. Key conclusions	4. Recommendations and comments
3. An FMI should have established mechanisms for the regular review of its efficiency and effectiveness.	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section I-1-1 on Purpose of Supervision of Financial Market Infrastructures and Role of Supervisory Departments Supervisory Guidelines section III-4-1 Points to Consider regarding Authorization of Business Rules, etc. FIEA Article 156-4 (1) on Criteria for License Examination BOJ - Policy on Oversight of Financial Market Infrastructures		
Principle 22: Communication procedures and standards **An FMI should use, or at a minimum accommodate, relevant internationally accepted communication procedures and standards in order to facilitate efficient payment, clearing, settlement, and recording.**		Consistent. While the Supervisory Guidelines do not address this principle, the various statements and guidance put out by both Japanese authorities, taken together, convey the authorities' intent to fully implement the PFMIs in a consistent manner.	The FSA should provide clarity to CCPs with respect to minimum standards for Principle 22 on Communication Procedures and Standards.
1. An FMI should use, or at a minimum accommodate, internationally accepted communication procedures and standards.	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section II-1-1 on General Supervisory Processes BOJ - Policy on Oversight of Financial Market Infrastructures	The Supervisory Guidelines do not explicitly require a CCP to use or accommodate internationally accepted communication procedures and standards. However, the use or accommodation of internationally accepted communication procedures and standards is already market practice.	

1. Text of applicable Principles and Key Considerations[11]	2. Implementation measures of the jurisdiction	3. Key conclusions	4. Recommendations and comments
Principle 23: Disclosure of rules, key procedures, and market data **An FMI should have clear and comprehensive rules and procedures and should provide sufficient information to enable participants to have an accurate understanding of the risks, fees, and other material costs they incur by participating in the FMI. All relevant rules and key procedures should be publicly disclosed.**		Consistent. While the Supervisory Guidelines do not refer to the CPSS-IOSCO Disclosure Framework, the various statements and guidance put out by both Japanese authorities, taken together, convey the authorities' intent to fully implement the PFMIs in a consistent manner.	Where there are inconsistencies in language or requirements between the Supervisory Guidelines and the PFMIs, the FSA should provide clarity to CCPs with respect to minimum standards.
1. *An FMI should adopt clear and comprehensive rules and procedures that are fully disclosed to participants. Relevant rules and key procedures should also be publicly disclosed.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-3-8 on Appropriateness of Disclosure of Information, etc. BOJ - Policy on Oversight of Financial Market Infrastructures		
2. *An FMI should disclose clear descriptions of the system's design and operations, as well as the FMI's and participants' rights and obligations, so that participants can assess the risks they would incur by participating in the FMI.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-3-8 on Appropriateness of Disclosure of Information, etc. BOJ - Policy on Oversight of Financial Market Infrastructures		
3. *An FMI should provide all necessary and appropriate documentation and training to facilitate participants' understanding of the FMI's rules and procedures and the risks they face from participating in the FMI.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-3-8 on Appropriateness of Disclosure of Information, etc.		

1. Text of applicable Principles and Key Considerations[11]	2. Implementation measures of the jurisdiction	3. Key conclusions	4. Recommendations and comments
	BOJ - Policy on Oversight of Financial Market Infrastructures		
4. An FMI should publicly disclose its fees at the level of individual services it offers as well as its policies on any available discounts. The FMI should provide clear descriptions of priced services for comparability purposes.	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-3-8 on Appropriateness of Disclosure of Information, etc. BOJ - Policy on Oversight of Financial Market Infrastructures		
5. An FMI should complete regularly and disclose publicly responses to the CPSS-IOSCO Disclosure framework for financial market infrastructures. An FMI also should, at a minimum, disclose basic data on transaction volumes and values.	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section III-3-8 on Appropriateness of Disclosure of Information, etc. BOJ - Policy on Oversight of Financial Market Infrastructures	The Supervisory Guidelines do not explicitly reference the CPSS-IOSCO Disclosure Framework.	

4.2.2 Trade Repositories

The detailed assessment below incorporates the AT's view of the completeness and consistency of the Japanese regulatory and oversight framework with the PFMIs. Each principle has been rated as consistent; however, the AT has highlighted areas where the Supervisory Guidelines would benefit from additional clarity.

1. Text of applicable Principles and Key Considerations[12]	2. Implementation measures of the jurisdiction	3. Key conclusions for principle	4. Recommendations and comments
Principle 1: Legal basis **An FMI should have a well-founded, clear, transparent, and enforceable legal basis for each material aspect of its activities in all relevant jurisdictions.**		Consistent	
1. The legal basis should provide a high degree of certainty for each material aspect of an FMI's activities in all relevant jurisdictions.	The FSA published a policy statement on 18 December 2012. The measure came into force on the same date. Further, the FSA published its Supervisory Guidelines in December 2013. The FIEA is the specific legislation that defines licensing requirements for FMIs. Provisions specific to TRs are found in FIEA articles 156-67 to 156-84. The BOJ published its Policy on Oversight of Financial Market Infrastructures on 12 March 2013. The measure came into force on 1 April 2013. TRs are also subject to a number of general legislation, including the Companies Act and general bankruptcy acts.		

12 Only the relevant principles for TRs (as set forth in the annex E of the PFMIs) are included.

1. Text of applicable Principles and Key Considerations[12]	2. Implementation measures of the jurisdiction	3. Key conclusions for principle	4. Recommendations and comments
2. *An FMI should have rules, procedures, and contracts that are clear, understandable, and consistent with relevant laws and regulations.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section VI-4-1 on Points to Consider regarding Authorization of Business Rules, etc. BOJ - Policy on Oversight of Financial Market Infrastructures		
3. *An FMI should be able to articulate the legal basis for its activities to relevant authorities, participants, and, where relevant, participants' customers, in a clear and understandable way.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section VI-4-1 on Points to Consider regarding Authorization of Business Rules, etc. BOJ - Policy on Oversight of Financial Market Infrastructures		
4. *An FMI should have rules, procedures, and contracts that are enforceable in all relevant jurisdictions. There should be a high degree of certainty that actions taken by the FMI under such rules and procedures will not be voided, reversed, or subject to stays.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section VI-4-1 on Points to Consider regarding Authorization of Business Rules, etc. BOJ - Policy on Oversight of Financial Market Infrastructures		
5. *An FMI conducting business in multiple jurisdictions should identify and mitigate the risks arising from any potential conflict of laws across jurisdictions.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section VI-4-1 on Points to Consider regarding Authorization of Business Rules, etc. BOJ - Policy on Oversight of Financial Market Infrastructures		

1. Text of applicable Principles and Key Considerations[12]	2. Implementation measures of the jurisdiction	3. Key conclusions for principle	4. Recommendations and comments
Principle 2: Governance **An FMI should have governance arrangements that are clear and transparent, promote the safety and efficiency of the FMI, and support the stability of the broader financial system, other relevant public interest considerations, and the objectives of relevant stakeholders.**		Consistent While the Supervisory Guidelines differ in language from the PFMIs, the various statements and guidance put out by both Japanese authorities, taken together, convey the authorities' intent to fully implement the PFMIs in a consistent manner.	Where there are inconsistencies in language or requirements between the Supervisory Guidelines and the PFMIs, the FSA should provide clarity to TRs with respect to minimum standards.
1. *An FMI should have objectives that place a high priority on the safety and efficiency of the FMI and explicitly support financial stability and other relevant public interest considerations.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section VI-1-1 on Governance System BOJ - Policy on Oversight of Financial Market Infrastructures		
2. *An FMI should have documented governance arrangements that provide clear and direct lines of responsibility and accountability. These arrangements should be disclosed to owners, relevant authorities, participants, and, at a more general level, the public.*	Cabinet Office Ordinance for Regulations of OTC Transactions for Derivatives etc. (Cabinet Office Ordinance No. 48 of July 11, 2012) Article 12 FSA - Policy statement on supervision of FMIs Supervisory Guidelines section VI-1-1 on Governance System BOJ - Policy on Oversight of Financial Market Infrastructures	The Supervisory Guidelines do not address publication of governance arrangements.	
3. *The roles and responsibilities of an FMI's board of directors (or equivalent) should be clearly specified, and there should be documented procedures for its functioning, including procedures to identify, address, and manage member*	Cabinet Office Ordinance for Regulations of OTC Transactions for Derivatives etc. (Cabinet Office Ordinance No. 48 of July 11, 2012) Article 12 Companies Act article 362		

1. Text of applicable Principles and Key Considerations[12]	2. Implementation measures of the jurisdiction	3. Key conclusions for principle	4. Recommendations and comments
conflicts of interest. The board should review both its overall performance and the performance of its individual board members regularly.	Companies Act article 369 FSA - Policy statement on supervision of FMIs Supervisory Guidelines section VI-1-1 on Governance System BOJ - Policy on Oversight of Financial Market Infrastructures		
4. *The board should contain suitable members with the appropriate skills and incentives to fulfil its multiple roles. This typically requires the inclusion of non-executive board member(s).*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section VI-1-1 on Governance System. Supervisory Guidelines section VI-1-3 on Staffing. FIEA article 156-67 on Designation of a Person to Conduct Trade Repository Business BOJ - Policy on Oversight of Financial Market Infrastructures	The Supervisory Guidelines do not explicitly require that the board of a TR contain suitable members with appropriate incentives.	
5. *The roles and responsibilities of management should be clearly specified. An FMI's management should have the appropriate experience, a mix of skills, and the integrity necessary to discharge their responsibilities for the operation and risk management of the FMI.*	Cabinet Office Ordinance for Regulations of OTC Transactions for Derivatives etc. (Cabinet Office Ordinance No. 48 of July 11, 2012) Article 12 FSA - Policy statement on supervision of FMIs Supervisory Guidelines section VI-1-1 on Governance System BOJ - Policy on Oversight of Financial Market Infrastructures		

1. Text of applicable Principles and Key Considerations[12]	2. Implementation measures of the jurisdiction	3. Key conclusions for principle	4. Recommendations and comments
6. *The board should establish a clear, documented risk-management framework that includes the FMI's risk-tolerance policy, assigns responsibilities and accountability for risk decisions, and addresses decision making in crises and emergencies. Governance arrangements should ensure that the risk-management and internal control functions have sufficient authority, independence, resources, and access to the board.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section VI-1-1 on Governance System Supervisory Guidelines section VI-2-2 on Risk Management Framework BOJ - Policy on Oversight of Financial Market Infrastructures	The Supervisory Guidelines do not explicitly address the following: • Decision making in crises and emergencies, and • Risk management functions having sufficient authority, independence, resources and access to the board.	
7. *The board should ensure that the FMI's design, rules, overall strategy, and major decisions reflect appropriately the legitimate interests of its direct and indirect participants and other relevant stakeholders. Major decisions should be clearly disclosed to relevant stakeholders and, where there is a broad market impact, the public.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section VI-1-1 on Governance System BOJ - Policy on Oversight of Financial Market Infrastructures	The Supervisory Guidelines do not explicitly require a TR to reflect the legitimate interests of its direct and indirect participants in its design, rules, overall strategy, and major decisions, or clearly disclose major decisions to relevant stakeholders. However, the Supervisory Guidelines explicitly require a TR's board of directors to seek external experts when making major decisions, and disclose and explain major changes to its business rules to participants and their customers.	
Principle 3: Framework for the comprehensive management of risks **An FMI should have a sound risk-management framework for comprehensively managing legal, credit, liquidity, operational, and other risks.**		Consistent While the Supervisory Guidelines do not address all aspects of this principle, the various statements and guidance put out by both Japanese authorities, taken together, convey the authorities' intent to fully implement the PFMIs in a consistent manner.	Where there are inconsistencies in language or requirements between the Supervisory Guidelines and the PFMIs, the FSA should provide clarity to TRs with respect to minimum standards.

1. Text of applicable Principles and Key Considerations[12]	2. Implementation measures of the jurisdiction	3. Key conclusions for principle	4. Recommendations and comments
1. An FMI should have risk-management policies, procedures, and systems that enable it to identify, measure, monitor, and manage the range of risks that arise in or are borne by the FMI. Risk-management frameworks should be subject to periodic review.	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section VI-2-2 on Risk Management Framework BOJ - Policy on Oversight of Financial Market Infrastructures		
2. An FMI should provide incentives to participants and, where relevant, their customers to manage and contain the risks they pose to the FMI.	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section VI-3-5-1 on Disclosure of Major Rules, etc. BOJ - Policy on Oversight of Financial Market Infrastructures	The Supervisory Guidelines do not explicitly require a TR to provide incentives to participants, for example regarding data quality.	
3. An FMI should regularly review the material risks it bears from and poses to other entities (such as other FMIs, settlement banks, liquidity providers, and service providers) as a result of interdependencies and develop appropriate risk-management tools to address these risks.	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section VI-2-2 on Risk Management Framework BOJ - Policy on Oversight of Financial Market Infrastructures	The Supervisory Guidelines do not explicitly reference material risks born from and posed to other entities, although there are requirements to manage "all" risks.	
4. An FMI should identify scenarios that may potentially prevent it from being able to provide its critical operations and services as a going concern and assess the effectiveness of a full range of options for recovery or orderly wind-down. An FMI should prepare appropriate plans for its recovery or orderly wind-down based on the results of that assessment. Where applicable, an FMI should also provide relevant authorities with the	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section VI-3-2 on Business Continuity Management BOJ - Policy on Oversight of Financial Market Infrastructures		

1. Text of applicable Principles and Key Considerations[12]	2. Implementation measures of the jurisdiction	3. Key conclusions for principle	4. Recommendations and comments
information needed for purposes of resolution planning.			
Principle 15: General business risk **An FMI should identify, monitor, and manage its general business risk and hold sufficient liquid net assets funded by equity to cover potential general business losses so that it can continue operations and services as a going concern if those losses materialise. Further, liquid net assets should at all times be sufficient to ensure a recovery or orderly wind-down of critical operations and services.**		Consistent While the Supervisory Guidelines do not fully address this principle, the various statements and guidance put out by both Japanese authorities, taken together, convey the authorities' intent to fully implement the PFMIs in a consistent manner.	
1. *An FMI should have robust management and control systems to identify, monitor, and manage general business risks, including losses from poor execution of business strategy, negative cash flows, or unexpected and excessively large operating expenses.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section VI-2-1 on Adequacy of Capital BOJ - Policy on Oversight of Financial Market Infrastructures	The Supervisory Guidelines have no requirements that a TR have robust management and control systems to identify, monitor, and manage general business risks, although there are requirements that a TR have processes to formulate a capital plan to address business risks.	
2. *An FMI should hold liquid net assets funded by equity (such as common stock, disclosed reserves, or other retained earnings) so that it can continue operations and services as a going concern if it incurs general business losses. The amount of liquid net assets funded by equity an FMI should hold should be determined by its general business risk profile and the length of time required to achieve a recovery or orderly wind-down, as*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section VI-2-1 on Adequacy of Capital BOJ - Policy on Oversight of Financial Market Infrastructures		

1. Text of applicable Principles and Key Considerations[12]	2. Implementation measures of the jurisdiction	3. Key conclusions for principle	4. Recommendations and comments
appropriate, of its critical operations and services if such action is taken.			
3. An FMI should maintain a viable recovery or orderly wind-down plan and should hold sufficient liquid net assets funded by equity to implement this plan. At a minimum, an FMI should hold liquid net assets funded by equity equal to at least six months of current operating expenses. These assets are in addition to resources held to cover participant defaults or other risks covered under the financial resources principles. However, equity held under international risk-based capital standards can be included where relevant and appropriate to avoid duplicate capital requirements.	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section VI-2-1 on Adequacy of Capital BOJ - Policy on Oversight of Financial Market Infrastructures		
4. Assets held to cover general business risk should be of high quality and sufficiently liquid in order to allow the FMI to meet its current and projected operating expenses under a range of scenarios, including in adverse market conditions.	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section VI-2-1 on Adequacy of Capital BOJ - Policy on Oversight of Financial Market Infrastructures		
5. An FMI should maintain a viable plan for raising additional equity should its equity fall close to or below the amount needed. This plan should be approved by the board of directors and updated regularly.	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section VI-2-1 on Adequacy of Capital BOJ - Policy on Oversight of Financial Market Infrastructures		

1. Text of applicable Principles and Key Considerations[12]	2. Implementation measures of the jurisdiction	3. Key conclusions for principle	4. Recommendations and comments
Principle 17: Operational risk **An FMI should identify the plausible sources of operational risk, both internal and external, and mitigate their impact through the use of appropriate systems, policies, procedures, and controls. Systems should be designed to ensure a high degree of security and operational reliability and should have adequate, scalable capacity. Business continuity management should aim for timely recovery of operations and fulfilment of the FMI's obligations, including in the event of a wide-scale or major disruption.**		Consistent While the Supervisory Guidelines do not fully address this principle, the various statements and guidance put out by both Japanese authorities, taken together, convey the authorities' intent to fully implement the PFMIs in a consistent manner.	Where there are inconsistencies in language or requirements between the Supervisory Guidelines and the PFMIs, the FSA should provide clarity to TRs with respect to minimum standards.
1. *An FMI should establish a robust operational risk-management framework with appropriate systems, policies, procedures, and controls to identify, monitor, and manage operational risks.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section VI-3-2 on Business Continuity Management Supervisory Guidelines section VI-3-3 on Operational Risk Management Supervisory Guidelines section VI-3-4 on Information Technology Risk Management BOJ - Policy on Oversight of Financial Market Infrastructures		
2. *An FMI's board of directors should clearly define the roles and responsibilities for addressing operational risk and should endorse the FMI's operational risk-management framework. Systems, operational policies, procedures, and controls should*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section VI-1-1 on Governance System Supervisory Guidelines section VI-2-2 on Risk Management Framework	The Supervisory Guidelines do not explicitly require a TR's board of directors' to endorse an operational risk-management framework, although there are related general requirements under section VI-1-1 on Risk Management Framework.	

1. Text of applicable Principles and Key Considerations[12]	2. Implementation measures of the jurisdiction	3. Key conclusions for principle	4. Recommendations and comments
be reviewed, audited, and tested periodically and after significant changes.	Supervisory Guidelines section VI-3-3 on Operational Risk Management Supervisory Guidelines section VI-3-4 on Information Technology Risk Management BOJ - Policy on Oversight of Financial Market Infrastructures	Further, the Supervisory Guidelines address only one form of operational risk – IT risk. For example, the requirement to periodically test systems, operational policies and procedures and controls is limited to IT risk.	
3. *An FMI should have clearly defined operational reliability objectives and should have policies in place that are designed to achieve those objectives.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section VI-3-3 on Operational Risk Management BOJ - Policy on Oversight of Financial Market Infrastructures		
4. *An FMI should ensure that it has scalable capacity adequate to handle increasing stress volumes and to achieve its service-level objectives.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section VI-3-3 on Operational Risk Management BOJ - Policy on Oversight of Financial Market Infrastructures		
5. *An FMI should have comprehensive physical and information security policies that address all potential vulnerabilities and threats.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section VI-3-4 on Information Technology Risk Management BOJ - Policy on Oversight of Financial Market Infrastructures	The Supervisory Guidelines do not explicitly reference requirements relating to physical security (only information related to the BCP was provided).	
6. *An FMI should have a business continuity plan that addresses events posing a significant risk of disrupting operations, including events that could cause a wide-scale or major disruption.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section VI-3-2 on Business Continuity Management		

1. Text of applicable Principles and Key Considerations[12]	2. Implementation measures of the jurisdiction	3. Key conclusions for principle	4. Recommendations and comments
The plan should incorporate the use of a secondary site and should be designed to ensure that critical information technology systems can resume operations within two hours following disruptive events. The plan should be designed to enable the FMI to complete settlement by the end of the day of the disruption, even in case of extreme circumstances. The FMI should regularly test these arrangements.	BOJ - Policy on Oversight of Financial Market Infrastructures		
7. An FMI should identify, monitor, and manage the risks that key participants, other FMIs, and service and utility providers might pose to its operations. In addition, an FMI should identify, monitor, and manage the risks its operations might pose to other FMIs.	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section VI-3-3 on Operational Risk Management. Supervisory Guidelines section VI-3-4 on Information Technology Risk Management BOJ - Policy on Oversight of Financial Market Infrastructures	Although the Supervisory Guidelines do not explicitly articulate the need to manage operational risks from key participants or other FMIs, a TR would need to consider risk from links to other organizations in order to properly manage operational risks.	
Principle 18: Access and participation requirements **An FMI should have objective, risk-based, and publicly disclosed criteria for participation, which permit fair and open access.**		Consistent While the Supervisory Guidelines do not fully address this principle, the various statements and guidance put out by both Japanese authorities, taken together, convey the authorities' intent to fully implement the PFMIs in a consistent manner.	Where there are inconsistencies in language or requirements between the Supervisory Guidelines and the PFMIs, the FSA should provide clarity to TRs with respect to minimum standards.
1. An FMI should allow for fair and open access to its services, including by direct and, where relevant, indirect participants and other FMIs, based on reasonable risk-related participation requirements.	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section VI-3-1-2 on Fair Access Requirements, etc.		

1. Text of applicable Principles and Key Considerations[12]	2. Implementation measures of the jurisdiction	3. Key conclusions for principle	4. Recommendations and comments
	BOJ - Policy on Oversight of Financial Market Infrastructures		
2. An FMI's participation requirements should be justified in terms of the safety and efficiency of the FMI and the markets it serves, be tailored to and commensurate with the FMI's specific risks, and be publicly disclosed. Subject to maintaining acceptable risk control standards, an FMI should endeavour to set requirements that have the least-restrictive impact on access that circumstances permit.	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section VI-3-1-2 on Fair Access Requirements, etc. BOJ - Policy on Oversight of Financial Market Infrastructures		
3. An FMI should monitor compliance with its participation requirements on an ongoing basis and have clearly defined and publicly disclosed procedures for facilitating the suspension and orderly exit of a participant that breaches, or no longer meets, the participation requirements.	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section VI-3-1-2 on Fair Access Requirements, etc. Supervisory Guidelines section VI-3-5-1 on Disclosure of major rules BOJ - Policy on Oversight of Financial Market Infrastructures	The Supervisory Guidelines require TRs to have and publicly disclose major rules, including those setting out the "rights and obligations of users". However, it does not have an explicit explanation that rights and obligations would cover "procedures for facilitating the suspension and orderly exit of a participant". There are also no requirements for a TR to monitor compliance with its participation requirements.	
Principle 19: Tiered participation arrangements **An FMI should identify, monitor, and manage the material risks to the FMI arising from tiered participation arrangements.**		Consistent Note that in Japan, financial institutions that are subject to TR reporting are required to report directly to TR and delegation of reporting is not allowed. Therefore, the TR system does not have a form of indirect participation.	

1. Text of applicable Principles and Key Considerations[12]	2. Implementation measures of the jurisdiction	3. Key conclusions for principle	4. Recommendations and comments
1. *An FMI should ensure that its rules, procedures, and agreements allow it to gather basic information about indirect participation in order to identify, monitor, and manage any material risks to the FMI arising from such tiered participation arrangements.*	FSA - Policy statement on supervision of FMIs BOJ - Policy on Oversight of Financial Market Infrastructures		
2. *An FMI should identify material dependencies between direct and indirect participants that might affect the FMI.*	FSA - Policy statement on supervision of FMIs BOJ - Policy on Oversight of Financial Market Infrastructures		
3. *An FMI should identify indirect participants responsible for a significant proportion of transactions processed by the FMI and indirect participants whose transaction volumes or values are large relative to the capacity of the direct participants through which they access the FMI in order to manage the risks arising from these transactions.*	FSA - Policy statement on supervision of FMIs BOJ - Policy on Oversight of Financial Market Infrastructures		
4. *An FMI should regularly review risks arising from tiered participation arrangements and should take mitigating action when appropriate.*	FSA - Policy statement on supervision of FMIs BOJ - Policy on Oversight of Financial Market Infrastructures		
Principle 20: FMI links **An FMI that establishes a link with one or more FMIs should identify, monitor, and manage link-related risks.**		Consistent While the Supervisory Guidelines do not address this principle, the various statements and guidance put out by both Japanese authorities, taken together, convey the authorities' intent to fully implement the PFMIs in a consistent manner.	Where there are inconsistencies in language or requirements between the Supervisory Guidelines and the PFMIs, the FSA should provide clarity to TRs with respect to minimum standards.

1. Text of applicable Principles and Key Considerations[12]	2. Implementation measures of the jurisdiction	3. Key conclusions for principle	4. Recommendations and comments
1. Before entering into a link arrangement and on an ongoing basis once the link is established, an FMI should identify, monitor, and manage all potential sources of risk arising from the link arrangement. Link arrangements should be designed such that each FMI is able to observe the other principles in this report.	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section VI-2-2 on Comprehensive Risk Management Framework BOJ - Policy on Oversight of Financial Market Infrastructures	The Supervisory Guidelines do not specifically address risks arising from link arrangements.	
2. A link should have a well-founded legal basis, in all relevant jurisdictions, that supports its design and provides adequate protection to the FMIs involved in the link.	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section VI-2-2 on Comprehensive Risk Management Framework BOJ - Policy on Oversight of Financial Market Infrastructures	The Supervisory Guidelines do not specifically address risks arising from link arrangements.	
9. A TR should carefully assess the additional operational risks related to its links to ensure the scalability and reliability of IT and related resources.	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section VI-2-2 on Comprehensive Risk Management Framework BOJ - Policy on Oversight of Financial Market Infrastructures	The Supervisory Guidelines do not specifically address risks arising from link arrangements.	
Principle 21: Efficiency and effectiveness **An FMI should be efficient and effective in meeting the requirements of its participants and the markets it serves.**		Consistent. While the Supervisory Guidelines do not address this principle, the various statements and guidance put out by both Japanese authorities, taken together, convey the authorities' intent to fully implement the PFMIs in a consistent manner.	Where there are inconsistencies in language or requirements between the Supervisory Guidelines and the PFMIs, the FSA should provide clarity to TRs with respect to minimum standards.

1. Text of applicable Principles and Key Considerations[12]	2. Implementation measures of the jurisdiction	3. Key conclusions for principle	4. Recommendations and comments
1. *An FMI should be designed to meet the needs of its participants and the markets it serves, in particular, with regard to choice of a clearing and settlement arrangement; operating structure; scope of products cleared, settled, or recorded; and use of technology and procedures.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section VI-1-1 on Governance System, and section VI-3-5-2(2)(ii) FIEA Article 156-74 (1) on Authorization of Operational Rules BOJ - Policy on Oversight of Financial Market Infrastructures		
2. *An FMI should have clearly defined goals and objectives that are measurable and achievable, such as in the areas of minimum service levels, risk-management expectations, and business priorities.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section VI-1-1 on Governance System Supervisory Guidelines section VI-3-3(2)(ii) on Operational Risk Management FIEA Article 156-74 on Authorization of Operational Rules BOJ - Policy on Oversight of Financial Market Infrastructures	The Supervisory Guidelines do not specifically have requirements that a TR have clearly defined goals and objectives that are measurable and achievable. However, the Guidelines do prescribe certain levels of service.	
3. *An FMI should have established mechanisms for the regular review of its efficiency and effectiveness.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section VI-1-1 on Governance System FIEA Article 156-74 on Authorization of Operational Rules BOJ - Policy on Oversight of Financial Market Infrastructures		

1. Text of applicable Principles and Key Considerations[12]	2. Implementation measures of the jurisdiction	3. Key conclusions for principle	4. Recommendations and comments
Principle 22: Communication procedures and standards **An FMI should use, or at a minimum accommodate, relevant internationally accepted communication procedures and standards in order to facilitate efficient payment, clearing, settlement, and recording.**		Consistent While the Supervisory Guidelines do not address this principle, the various statements and guidance put out by both Japanese authorities, taken together, convey the authorities' intent to fully implement the PFMIs in a consistent manner	The FSA should provide clarity to TRs with respect to minimum standards for Principle 22 on Communication Procedures and Standards.
1. *An FMI should use, or at a minimum accommodate, internationally accepted communication procedures and standards.*	FSA - Policy statement on supervision of FMIs BOJ - Policy on Oversight of Financial Market Infrastructures FIEA Article 1 on Purpose Supervisory Guidelines section II-1-1 on General Supervisory Processes	The Supervisory Guidelines do not explicitly require a TR to use or accommodate internationally accepted communication procedures and standards. However, the adoption of internationally accepted communication procedures and standards is already market practice.	
Principle 23: Disclosure of rules, key procedures, and market data **An FMI should have clear and comprehensive rules and procedures and should provide sufficient information to enable participants to have an accurate understanding of the risks, fees, and other material costs they incur by participating in the FMI. All relevant rules and key procedures should be publicly disclosed.**		Consistent While the Supervisory Guidelines do not fully address this principle, the various statements and guidance put out by both Japanese authorities, taken together, convey the authorities' intent to fully implement the PFMIs in a consistent manner.	Where there are inconsistencies in language or requirements between the Supervisory Guidelines and the PFMIs, the FSA should provide clarity to TRs with respect to minimum standards.
1. *An FMI should adopt clear and comprehensive rules and procedures that are fully disclosed to participants. Relevant rules and key procedures should also be publicly disclosed.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section VI-3-5-1 on Disclosure of Major Rules, etc.		

1. Text of applicable Principles and Key Considerations[12]	2. Implementation measures of the jurisdiction	3. Key conclusions for principle	4. Recommendations and comments
	BOJ - Policy on Oversight of Financial Market Infrastructures		
2. *An FMI should disclose clear descriptions of the system's design and operations, as well as the FMI's and participants' rights and obligations, so that participants can assess the risks they would incur by participating in the FMI.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section VI-3-5-1 on Disclosure of Major Rules, etc. BOJ - Policy on Oversight of Financial Market Infrastructures	The Supervisory Guidelines do not have specific requirements for the disclosure of systems design and operations.	
3. *An FMI should provide all necessary and appropriate documentation and training to facilitate participants' understanding of the FMI's rules and procedures and the risks they face from participating in the FMI.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section VI-3-5-1 on Disclosure of Major Rules, etc. BOJ - Policy on Oversight of Financial Market Infrastructures	The Supervisory Guidelines do not have specific requirements relating to provision of training to participants. Given the nature of a TR and the services they provide to participants, the lack of specific requirements on training will likely not have material impact, as participants would need to understand and test the TR's systems and services during the on-boarding processes.	
4. *An FMI should publicly disclose its fees at the level of individual services it offers as well as its policies on any available discounts. The FMI should provide clear descriptions of priced services for comparability purposes.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section VI-3-5-1 on Disclosure of Major Rules, etc. BOJ - Policy on Oversight of Financial Market Infrastructures		
5. *An FMI should complete regularly and disclose publicly responses to the CPSS-IOSCO Disclosure framework for financial market infrastructures. An FMI also should, at a minimum, disclose basic data on transaction volumes and values.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section VI-3-5-1 on Disclosure of Major Rules, etc. BOJ - Policy on Oversight of Financial Market Infrastructures	The Supervisory Guidelines do not have a requirement for a TR to publicly disclose its responses to the CPSS-IOSCO Disclosure Framework.	

1. Text of applicable Principles and Key Considerations[12]	2. Implementation measures of the jurisdiction	3. Key conclusions for principle	4. Recommendations and comments
Principle 24: Disclosure of market data by trade repositories **A TR should provide timely and accurate data to relevant authorities and the public in line with their respective needs.**		Consistent	
1. *A TR should provide data in line with regulatory and industry expectations to relevant authorities and the public, respectively, that is comprehensive and at a level of detail sufficient to enhance market transparency and support other public policy objectives.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section VI-3-5-2 on Disclosure of Market Data BOJ - Policy on Oversight of Financial Market Infrastructures		
2. *A TR should have effective processes and procedures to provide data to relevant authorities in a timely and appropriate manner to enable them to meet their respective regulatory mandates and legal responsibilities.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section VI-3-5-2 on Disclosure of Market Data BOJ - Policy on Oversight of Financial Market Infrastructures		
3. *A TR should have robust information systems that provide accurate current and historical data. Data should be provided in a timely manner and in a format that permits it to be easily analysed.*	FSA - Policy statement on supervision of FMIs Supervisory Guidelines section VI-3-5-2 on Disclosure of Market Data BOJ - Policy on Oversight of Financial Market Infrastructures		

Annex A: List of abbreviations

AM	Assessment methodology
AT	Assessment team
BOJ	Bank of Japan
CCP	Central counterparty
CO	Clearing organisations
CPMI	Committee on Payments and Market Infrastructures
CPSS	Committee on Payment and Settlement Systems
CSD	Central securities depository
EU	European Union
FIEA	Financial Instruments and Exchange Act
FMI	Financial market infrastructure
FSA	Financial Services Agency of The Japanese Government
IMTF	Implementation monitoring task force
IOSCO	International Organization of Securities Commissions
L1	Level 1
L2	Level 2
L3	Level 3
OTC	Over-the-counter
PFMIs	Principles for financial market infrastructures
SSS	Securities settlement systems
TR	Trade repository
US	United States

Annex B: Reference documents

Bank of Japan, *The Bank of Japan Policy on Oversight of Financial Market Infrastructures*, March 2013 http://www.boj.or.jp/en/announcements/release_2013/data/rel130312a.pdf

Bank of Japan Act
http://www.japaneselawtranslation.go.jp/law/detail/?id=92&vm=02&re=01

Commodity Exchange Act, 1950 (revised to Commodity Futures and Exchange Act in 2009)
http://www.cas.go.jp/jp/seisaku/hourei/data/cea.pdf

Companies Act, 2005
http://www.cas.go.jp/jp/seisaku/hourei/data/CA1_4_2.pdf

CPSS-IOSCO, *Principles for financial market infrastructures*, April 2012
http://www.bis.org/cpmi/publ/d101a.pdf

CPSS-IOSCO, *Principles for financial market infrastructures: disclosure framework and assessment methodology*, December 2012
http://www.bis.org/publ/cpmi106.pdf

CPSS-IOSCO, *Implementation monitoring of PFMIs: First update to Level 1 assessment report*, May 2014 http://www.bis.org/publ/cpmi117.pdf

CPSS-IOSCO, *Implementation monitoring of PFMIs – Level 1 assessment report*, August 2013 http://www.bis.org/publ/cpmi111.pdf

Financial Instruments and Exchange Act (FIEA)
http://www.fsa.go.jp/common/law/fie01.pdf

Financial Services Agency, *Comprehensive Guidelines for Supervision of Financial Market Infrastructures,* December 2013
http://www.fsa.go.jp/en/news/2014/20140327-1/01.pdf

Financial Services Agency, *Policy statement on supervision of FMIs,* December 2012
http://www.fsa.go.jp/inter/ios/20121218-2.html

Annex C: Detailed response from the Japanese authorities

No additional information provided by Japanese authorities.

Annex D: List of CCPs and TRs in Japan[13]

List of CCPs in Japan

- Japan Securities Clearing Corporation
- JASDEC DVP Clearing Corporation
- Tokyo Financial Exchange

List of TRs in Japan

DTCC Data Repository Japan

[13] The CCPs and TRs listed are those licensed under the FIEA.