

Leo Melamed – Returns to Japan



Leo Melamed, founder of Financial Futures, returned to offer his gratitude to the people of Japan for saving he and his family during WW II.

Topics of the month

FIAJ Elects New Board Members and Officers
Takamichi Hamada Returns to TOCOM



Regulatory news

Financial Market Regulators – New Appointments
EU Regulatory Update - CCP Equivalence & EMIR Customer Funds Segregation Obligations

People Interview

Hiromi Yamaji, Osaka Exchange, Discusses Plans for JPX



Hiromi Yamaji



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Director, Global Futures Sales & eCommerce Fixed Income Sales Division

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Yuji Kusunoki

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President

■ Sean Lawrence

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Toru Tsukahara

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PRESIDENT'S MESSAGE

Corporate Governance

Mitch Fulscher, President - CEO, FIA Japan

For many years overseas investors have been critical of Japan's corporate governance practices. In recent years, several high profile cases of Management fraud and other issues detrimental to shareholders added pressure for improvement in corporate transparency and accountability. In August, an IMF Study notes that Japan's performance is at the bottom of the G-7 countries, especially in the area of Director independence and performance. The Government is now addressing this issue.

The Government's Economic Growth Strategies, adopted in June, continue to push to improve the financial market structure to attract business and investment. Enhanced corporate governance is a part of the action required. METI has led the action by framing amendments to the Company Act to provide a new governance structure, and to push public companies to elect outside independent directors and to improve effectiveness of their boards. A company without at least one outside director will be required to publicly explain why they have not proposed to elect independent directors (i.e. comply-or-explain rule). In anticipation of this requirement, 74% of TSE listed companies introduced at least one outside director at their shareholders meeting this summer.

Japanese institutional investors also have a powerful role to play. In this regard, The Government Pension Investment Fund (GPIF) with 130 trillion Yen assets under management recently adopted a new Japan "stewardship code" based on the UK stewardship version. A majority of other Japanese major institutional investors are quickly following as expected. At the same time FSA and TSE are working on an official "Japan Stewardship Code" for institutional investors. This code would set forth the principles to follow with respect to their responsibilities for the funds they manage. These significant shareholders in Japan have an essential fiduciary role to play to push managements to maximize shareholder value with respect to their investments. This can drive improvement in corporate governance and raise ROE. It is recognized that average ROE in Japan is significantly lower than that of US and other countries.

A related development is the establishment of the JPX-Nikkei 400 index. This is a broad stock index based on companies meeting criteria related to profitability and qualitative measures of good corporate governance, including the use of independent directors. The index can have a positive impact on corporate behavior by exerting pressure to improve profitability and strengthen corporate governance. A growing number of Institutional Investors are now creating new funds linked to the index, and JPX plans to introduce derivatives based on the index.

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Perhaps these recent actions by the government are but small steps in the ultimate goal of establishing Tokyo as a major Financial Center in Asia. But they are headed in the right direction. Keep moving....

Osaka Exchange CEO Hiromi Yamaji Discusses New Plans for JPX



Hiromi Yamaji
President & CEO - Osaka Exchange, Inc.
Board Member - Japan Exchange Group, Inc.

Prior to taking on the position as President and CEO of OSE, Hiromi Yamaji was a top executive of Nomura Securities. He joined Nomura in 1977 where he had 36 years of professional experience specializing in the investment banking area. During his professional career, he worked in Europe and in the US for 18 years, serving as President & CEO of Nomura Europe Holdings plc in London and as Chairman of Nomura Holding America Inc. in New York.

He graduated from Kyoto University, Law Faculty in 1977 and also holds an MBA from Wharton School of the University of Pennsylvania.

FIAJ : After a successful career leading the investment banking arm of Nomura Securities, last year you came to head up the Osaka Exchange, Japan's largest derivatives exchange. How are you finding the challenges in this new environment at JPX?

Since my appointment in June last year, the stock market has been boosted by the so-called Abenomics effect. OSE offers a

range of derivative contracts, including JGB futures and options, and with the Nikkei and TOPIX derivatives being our flagship products. Nikkei 225 mini in particular ranks among the world's most active futures contracts.

Derivatives trading volume last year hit a record high on the back of the booming stock market conditions. However, we also recognize that about 95% of overall volume is accounted for by trading in stock index deriva-

tives. While there may be many ways to further increase trading volume, if we compare ourselves with other exchanges, we realize the importance of enhancing our product lineup.

Take commodity futures for example. Commodity futures are supervised by a separate authority in Japan, and although this may make expansion into commodities more difficult than in other countries, we are looking to expand into the field as set forth in the JPX medium-term management plan. We can expect OSE's expansion into commodities to improve the convenience of our market and allow investors to manage their funds more efficiently.

“We can expect OSE's expansion into commodities to improve the convenience of our market and allow investors to manage their funds more efficiently.”

Of course, we continue to consider ways to enhance our promotional activities and services for our existing Nikkei225, TOPIX, and JGB derivatives. It is important to strike a balance between bolstering the competitiveness of existing products and launching new products as we work to increase overall trading volume.

FIAJ : The merger of the clearing operations of TSE and OSE was completed smoothly last year and the recent combination of the derivatives trading systems in March this year was another major accomplishment. How has the marketplace reacted to these developments?

The clearing operations merger paved the way for unified margin calculations before this year's market integration in March, which led to improved capital efficiencies for investors. We then integrated the derivatives markets and trading systems, and extended the trading hours for previously TSE-listed products to 3 a.m., bringing them in line with other products as we made some changes to standardize the trading rules for derivatives.

Feedback from securities companies and investors has been highly positive and many have specifically mentioned their reduced cost and greater convenience.

“the remarkable growth we see today in other Asian economies means that Japan will play an important role as a financial center”

FIAJ : The Japan Government has made a clear mandate to expand the financial market and to eliminate the silos that have separated the various financial sectors by product line. They have been pushing for the creation of a “Comprehensive Exchange” which can trade all types of derivatives, including commodities and other financial instruments. What are your plans in this regard?

NASDAQ OMX Group and NTT Data were selected in July as development vendors for the next-generation derivatives trading system. We will develop the system keeping in mind the expansion into the field of commodities. There are some options in this regard but we have yet to make a decision at this point.

FIAJ : Many believe that Tokyo should have, but failed, to develop as the leading Financial Center for Asia. The benefits and importance of this development is now recognized in the Government’s Growth Initiatives. What kinds of actions do you think should be taken and do you think we can achieve this goal?

Since Japan's economy grew and matured earlier than other Asian economies, the remarkable growth we see today in other Asian economies means that Japan will play an important role as a financial center in providing the financing platform and the funds needed for economic development and growth.

In terms of derivatives, we have to increase our promotional efforts to provide a diversified product lineup to a wider range of investors across the world. There are still many established overseas institutional investors who have yet to invest in Japan and, unlike individual stocks, Japanese derivatives are a means of gaining exposure to the entire Japanese economy.

If we can also get domestic financial assets involved, it will lead to greater sophistication and further development of Tokyo as a financial center.

FIAJ : Thank you for sharing your thoughts with FIA Japan.

Financial Market Regulators – New Appointments and Transfers

METI Appoints New Director

In the commodity trading sector, Satoru Miura was newly appointed as Director of the Commerce and Consumer Affairs Policy Division within the Commerce, Distribution and Industrial Safety Policy Group of the Commerce and Information Policy Bureau. His predecessor, Takashi Ishizaki, was transferred to the Electricity and Gas Industry Department, within the Agency for Natural Resources and Energy, as Director of the Electricity Infrastructure Division.

We also congratulate Motoko Ogawa, former Executive Secretary of FIA Japan, who recently joined the division overlooking commodity derivatives within METI.

FSA Transfers

The following transfers and appointments have taken place at FSA: Hisashi Ono has replaced Toshihide Endo as Deputy Director-General of the Planning and Coordination Bureau. Mr. Endo has moved to become Director-General of the Inspection Bureau. Shigehiro Kuwabara, former Director General of the Planning and Coordination Bureau, was replaced by Yuichi Ikeda.

EU Regulatory Update - CCP Equivalence & EMIR Customer Funds Segregation Obligations

As reported in FIA Weekly Briefing, a European Commissioner announced on June 27 that he will propose that the European Commission adopt "equivalence" decisions to allow clearinghouses from five countries outside of the EU to clear EU transactions. The countries are Japan, Singapore, Australia, Hong Kong and India. The Commissioner added that the EU will be able to adopt equivalence decisions for the U.S. if the CFTC also gives "effective equivalence" to third country CCPs.

On a related theme, the European Securities and Markets Authority (ESMA) issued in July an updated "[Questions and Answers](#)" on the European Market Infrastructure Regulation (EMIR). The Q&A includes a new section clarifying that non-EU members of European clearinghouses are subject to the segregation requirements in EMIR. Under these requirements, clearing firms must offer their clients the choice between omnibus client segregation and individual client segregation and inform them of the costs and level of protection associated with each option.

Topics of the Month

Leo Melamed Returns to Japan - FIAJ Reception

FIA Japan held a special FIA Japan reception inviting Mr. Leo Melamed as our honorable guest speaker on June 30.

Mr. Melamed is the Chairman Emeritus of CME Group and the founder of financial futures. Mr. Melamed came to Japan to thank the Japanese Government and to recognize the courage and action and to honor Mr. Chiune Sugihara. Sugihara was the Japanese Counsel General to Lithuania during WWII and saved thousands of Jews from the Holocaust by issuing life-saving transit visas through Japan to Jews who were fleeing the Nazis. Leo Melamed and his parents were among those saved. Leo stated that "Sugihara was the one man who acted on what he knew to be the right action."

"The Japanese people truly saved us."

Leo had a special meeting with Prime Minister Abe to extend his personal thanks to the government. Later he traveled to

Tsuruga, Fukui Prefecture, for a day of celebration for Sugihara and the lives he saved. Tsuruga was the arrival port for the Melamed family in 1939 before settling in Kobe. Melamed said that "The Japanese people welcomed us and they gave us food and found us a place to live. They truly saved us."

"Sugihara was the one man who acted on what he knew to be the right action."

During his visit to Japan, he made a special speech for FIAJ members in which he expressed his willingness to help the Japan financial market grow, referring in particular to working with METI to establish an LNG spot price benchmark.

This was a rare opportunity to meet the industry icon and there were around 100 people who attended the reception and enjoyed exchanging thoughts with him.

Sponsored by:



Commemorative picture of this unique reception!
From left to right: Mr. Mogi - FIAJ Vice Chairman, Mr. Melamed - CME Group, Mr. Fujii - Former FIAJ Chairman, Mr. Fulscher - FIAJ President-CEO



Mr. Melamed with Mr. Shinzo Abe - Prime Minister of Japan (center) and Mr. Tsuyoshi Takagi - Member of the House of Representatives (right)



Upper Left: Leo Melamed speaks at the podium
Upper Right: FIA Japan Members and their guests
Lower Left: Mr. Melamed exchanges greetings with Mr. Maruyama - FIAJ Chairman
Lower Right: Mr. Melamed with Mr. Yamazawa of JPX



FIAJ Elects New Board Members and Officers

FIA Japan elected its 2014 board members and Auditor at its AGM held in May. A complete list of the board members is shown on page two. The newly elected board members are the following:

Bruno Abrioux - SunGard Japan K.K., Senior Vice President, Japan Head of Sales, Capital Markets

James Busby - Goldman Sachs Japan Co., Ltd., Managing Director, Head, Futures Sales Trading, Securities Division

Eiji Omoto - Mizuho Securities Co., Ltd., Joint General Manager, Futures Sales, Products Promotion & Marketing Dept. Fixed Income Group

Toru Tsukahara - Daiwa Securities Co. Ltd., Executive Director, Planning & Administration Section, Fixed Income Marketing Dept.

Nagayoshi Miyata, the former chairman of our Membership Committee was also elected as Auditor for two years.

At the first board meeting following the AGM, the below Representative Directors and Officers for 2014 were appointed.

Chairman and Representative Director

Junichi Maruyama - Citigroup Japan Holdings Corp., Executive Officer, Head of Government Affairs

Vice Chairman and Representative Director

Yasuo Mogi - Nissan Century Securities Co., Ltd., Chairman

President - CEO and Representative Director

Mitch Fulscher - Financial Consultant

Vice President

Peter Jaeger - Bank of America Merrill Lynch, Managing Director, Head, Asia Pacific Futures & Options and OTC Clearing

Secretary and Representative Director

Koichiro Ohashi - White & Case LLP, Attorney at Law, Partner

Treasurer

David Wilkinson - Equinix Japan K.K., Senior Director, Business Development, Asia-Pacific

The board also re-appointed Shozo Ohta CEO of Tokyo Financial Exchange and Bob Takai Corporate Officer of Sumitomo Corporation as Advisors to the Board.

Takamichi Hamada Returns to TOCOM

Takamichi Hamada, President of TOCOM from 2002 to 2006, just returned to the Exchange as Executive Vice President and COO after having spent six years in the venture capital business and then as officer of a major Japanese electrical equipment manufacturer. Our Editorial Board sat down with him to listen to his views on the commodity derivatives industry in Japan.

Mr. Hamada explained that his return was motivated by numerous calls from industry players for him to come back, as he had been instrumental in the past in opening the TOCOM markets to a global audience. Since 2006, TOCOM volumes have continued to shrink, even after implementing a number of market reforms, including the introduction of a new trading system in 2009. Mr. Hamada believes that domestic regulations aimed at protecting retail investors explain the bulk of the drop, but pointed out that international regulations (e.g. Basel) also impacted market participants. In order to reverse this trend, his main strategy will be to improve the linkage between spot and futures markets, taking ICE as a model for a successful commodity market operator. The recent launch of energy swaps by JOE (Japan OTC Exchange; a joint venture between TOCOM and Gingga Petroleum) is one step towards achieving this goal. Another step would be to start an LNG spot market to create a price benchmark, before eventually launching an LNG futures market.

Asked about the effects of the global regulatory changes taking place, Mr. Hamada believes that many investment banks have had to change their strategies and that commodity industry players are reorganizing their structures. Accordingly, the Exchange will have to adapt its own marketing strategy and reach out to these new players, including ones in China. Finally, Mr. Hamada declined to comment on JPX and the Comprehensive Exchange issue, but is optimistic about the future of commodity markets: "There will always be a need to hedge."



"... We will adapt our marketing strategy to reach out to new players both domestically and internationally, including China."

Unicom Group Chairman Awarded Decoration

A party to celebrate the conferment of a decoration to Mr. Katsuaki Futaya, Chairman of Unicom Group Holdings, Inc. (the hold-

ing company of Nissan Century Securities Co., Ltd) was held at the Imperial Hotel on July 14 with a wide range of participants from financial circles, including FIAJ board members.

Mr. Futaya was awarded the “Order of the Rising Sun, Gold Rays with Rosette” at the 2014 Spring Conferment of Decorations for his lengthy career and contributions to the commodity futures industry. The ceremony was held on May 13 at the Imperial Court, where the decoration was conferred by His Majesty the Emperor. Mr. Futaya has been a leading figure of the futures industry serving various important positions, including his most recent appointment acting as a member of the Board of Directors of TOCOM.

FIA Japan sincerely congratulates Mr. Futaya on this special occasion and for his achievements.



Committee Activities

Market Development Committee

Chairman Yoshio Kuno

Since the new FIAJ fiscal year started, MDC has been reformed with the following members: Ms. Koyama (TOCOM), Messrs. Onosato (TOCOM), Yanakawa (Citi Bank), Kobayashi (Nomura Sec.), Abrioux (Sungard), and Kuno (OSE/JPX).

MDC plans to take a few key agenda including:

Market structure (in relation to HFTs): While debates over HFTs have been quieting down, there should be new regulatory initiatives due to come in US and Europe. MDC will continue to monitor those developments and their impact on the Japanese market.

Reach out to retail investors: Following our initial program last March, MDC will try to further improve our reach to retail investors, mainly for education purposes.

Mandatory OTC clearing: OTC clearing of Swaps will be mandated in Japan by September 2015. MDC plans to look into various issues, including cross border transactions/harmonization of various jurisdictions.

MDC is always looking for new members, so please feel free to contact anyone of us to join our discussions!

Market Operations Committee

Chairman Sean Lawrence

The Market Operations Committee (MOC) has started working on its next research project titled “Market Research of Structural Change Required to Improve Efficiency in the Japanese Financial Markets.” The overall theme of this so-called new “Wish List” is “In a perfect world, what would you like to see?”, and aims at gathering suggestions for structural improvements in various areas, including CCP consolidation, tax issues, asset segregation rules etc.

The MOC is actively seeking committee participants to gather input from a broad range resulting in a fair, balanced and representative view of opinions. Please contact the FIAJ Office for further details.

Technology Committee

Chairman Bruno Abrioux

After a successful roundtable on the topic of « How to recognize "Risk" due to investment or trading time horizon when using ATS (Automated Trading Solutions)? » --see the « past event sections » of this newsletter for more details--, our Technology Committee has already decided on the following three topics to focus next:

1) With the TSE/OSE merger being behind us, we have decided to reinitiate the feasibility study and benefits of bringing FIA Tech solutions EGUS* and eGAINS** to the Japanese financial community. Find more information

about those solutions at <http://www.fia-tech.com/>

2) As a direct contribution to the FIAJ Market Development Committee and in parallel to discussions happening at the FIA Asia Technology Working Group, our committee will share its member's comments on two key questions related to HFT:

- The relevancy, feasibility and practicality from a technology standpoint of the two suggested definitions of HFT in the FIA and FIA Europe's Special Report 6 "Defining High Frequency Trading."
- The HFT behaviors that can be detrimental to the market's integrity and overall industry and how technology can help to prevent, detect, control those behaviors?

3) With almost as many Market Data Redistribution schemes as exchanges, global FCMs, brokers and ISVs obviously face a great challenge in reconciling all those definitions and their frequent changes across the globe. Our committee proposes to study the current challenges through practical examples and to look at initiating the creation of a Comprehensive Definition Framework for Market Data Redistribution.

*EGUS: industry-wide electronic give-up agreement administration system by FIA Tech.

**eGAINS: give-up invoicing system licensed by FIA Tech on behalf of participating futures exchange clearing members to facilitate the calculation, invoicing, and payment of firm give-up fees.

Membership Committee

Chairman Izumi Kazuhara

FIA Japan has recently welcomed a new member to the Association: Virtu Financial.

Virtu is a leading technology-enabled market maker and liquidity provider to the global financial markets. They make markets by providing quotations to buyers and sellers in more than 10,000 securities and other financial instruments on more than 210 unique exchanges, markets and liq-

uidity pools in 31 countries around the world. Market makers like Virtu serve an important role in maintaining and improving the overall health and efficiency of the global capital markets by continuously posting bids and offers for securities and other financial instruments and thereby providing to market participants an efficient means to transfer risk.

Exchange News

JPX Next-Generation Derivatives Trading System

On July 25, Japan Exchange Group, Inc. (JPX) selected the NASDAQ OMX Group, Inc. and NTT DATA Corporation as developers for the next-generation derivatives trading system.

JPX's new derivative trading system is scheduled to be launched in 2016, at which time JPX plans to utilize the latest technologies available to enhance many aspects, including risk management, accommodation of commodities, OTC derivatives and other products that are not currently available on the existing trading system.

NASDAQ OMX commented that they are excited to provide its technology to one of the world largest exchange groups. They are very much honored to support JPX's business strategy and to contribute to the further growth of the Japanese market.

Launch of JPX-Nikkei Index 400 Futures

OSE will launch its JPX-Nikkei Index 400 Futures to accommodate strong investor demand. The contract will be launched by the end of November 2014, at which time OSE will prepare schemes such as a market maker program to

provide liquidity and a smooth transaction environment for market participants.

The JPX-Nikkei Index 400, jointly developed by JPX, Tokyo Stock Exchange, Inc. and Nikkei, Inc., was launched on January 6, 2014 and is composed of companies with high investment appeal selected on criteria including ROE and operating profit, as well as corporate governance aspects.

Following its launch, there has been more than 20 new ETFs, publicly offered investment trusts and other products tracking the index. With a market whose total NAV has already grown to nearly JPY 200 billion (as of August 14), demand has been rising for a futures market to facilitate more sophisticated asset management operations.

[Click here for the JPX-Nikkei Index 400 Futures Contract Specifications.](#)

Periodic Review of JPX-Nikkei Index 400

The periodic review of the JPX-Nikkei Index 400 was announced on August 29. A review of the constituents will be conducted on the last business day of August each year, with the last business day of June serving as the base date.

[Click here for details of the new inclusions and removals.](#)

TFX

Nissan Century Joins as New Member

On July 26, Tokyo Financial Exchange Inc. (TFX) welcomed Nissan Century Securities Co., Ltd (NCS) as a new trading and clearing member of FX margin contracts and Equity Index margin contracts. NCS is well-recognized as an established community-based retail brokerage business and technology-oriented institutional brokerage business, with cutting-edge trading environment. NCS is also very active overseas and TFX hopes that they will actively contribute to make the Exchange's margin FX and Equity Index market become more liquid and more competitive.

TOCOM

Launches Chicago-Tokyo Low Latency Network Service

On September 15, TOCOM will provide a low latency telecommunication path between CME Group's data center in Aurora, Illinois and the KVH Tokyo Data Center 1, where TOCOM's proximity data center is hosted and managed.

KVH is one of the current telecommunication provider within the CME Group Aurora data center offering connectivity to a multitude of destinations to the CME Group collocation customer base. KVH will run a Global Ether-WAN line with latency as low as 122ms between the CME Group data center and TOCOM/KVH data center.

The new service will expand opportunities for market participants who trade on CME Globex and want to begin trading or become more active on TOCOM.

Introduces ADP and Settlement Price Trading

TOCOM will introduce "Alternative Delivery Procedure" (ADP) for all petroleum products (except Crude Oil) beginning with the October contract. Commercial participants will be allowed to make and take delivery under negotiated terms or conditions that differ from Exchange standards. TOCOM aims at adding flexibility to its Oil Market and supporting the participants that trade in physical commodity.

TOCOM also plans a rule adjustment from September that will permit all market participants to trade at the settlement price (pending regulatory approval). Along with EFP/EFS and block trading, settlement price trading will be the third option to transact away from the market.

Tech Corner

*By Hiroshi Matsubara,
Co-chair, Japan Regional Committee,
FIX Trading Community (Marketing Director, Fidessa KK)*

Development of Electronic Trading and FIX

The Japanese equities market structure has been undergoing significant changes for the past several years under the paradigm shift of the global capital markets. The launch of arrowhead on Tokyo Stock Exchange in 2010 triggered more liquidity from HFT, penetration of algorithm trading by Japanese buy-side and, rather ironically, development of those alternative execution venues (PTS and broker dark pools) in Japan.

Electronic trading channel in the Japanese equities institutional markets (between buy-side and sell-side) has become a de facto standard not only of the incoming off-shore trading flows (i.e. hedge funds and overseas long-only asset managers) but also of domestic traditional buy-side trading. 80-90% of the major domestic buy-side institutions now adopt DMA (Direct Market Access)* and DSA (Direct Strategy Access)** in trading Japanese equities.

FIX (Financial eXchange Protocol) is the industrial standard messaging protocol of financial instrument electronic trading and has been adopted as a technical platform of enabling the penetration of electronic trading. It was originally defined between Fidelity Investment and Salomon Brothers back in 1993, then became the industry-driven standard protocol by getting other buy and sell-side institutions around the world involved for the past two decades. FIX Trading Community (formerly called FPL: FIX Protocol Limited) is the voluntary global organisation which owns the intellectual property right of the protocol and promotes adoption of electronic trading to standardize and increase the efficiencies of the trading work flow of the financial instruments.

FIX usage has been widely adopted into trading systems of cash equities (trading between buy & sell-sides and with access to execution venues-i.e. Exchange and PTS) so far, but now has expanded beyond equities as electronic trading has been further more adopted to trade listed derivatives, foreign exchange and fixed income. FIX has already been defined to cover work flows across those asset classes in addition to equities.

As for fixed income and foreign exchange, since the trading is based on the RFQ (Request for Quote) model rather than the Central Limit Order Book model of equities, electronic trading flows do not necessarily occupy the majority of the total trading flows yet. Also there is a lot of paper-based manual flows in the post-trade arena of these OTC-traded instruments, therefore a complete electronic STP has not been realized.

FIX has been mainly used for pre-trade and trade (orders and executions) flows so far, but there is an indication of moving into post-trade work flows such as Allocation, Trade Confirmation and Affirmation. A couple of larger international buy-side firms are now asking brokers to cover these post-trade flows based on FIX messages in the US and Europe.

The Japan Regional Committee of the FIX Trading Community will host the Japan Electronic Trading Conference on October 15 this year in Tokyo. The conference has been held every two years since 2006. [Click here for details.](#)

FIA Japan Member firms are welcome to actively participate as delegates.

*Manual electronic trading by buy-side traders who will "directly" send orders to exchanges (via brokers) based on their trading decisions. It does not mean "sponsored access" here.

**Type of algorithmic trading where buy-side traders directly specify models and parameters for their usage of broker algorithmic trading on their trading terminals. Apart from this DSA, buy-side traders may place algo orders by leaving it to sell-side traders' discretion for managing models and parameters.

Past Events

FIA Japan AGM

FIA Japan held its 26th Annual General Meeting and reception at the International House on May 28.

At the meeting this year, Mr. Fulscher proposed the Business Plan for 2014 together with the annual budget based upon an increase in member dues for funding the plan. He asked members to recognize the importance for FIAJ to grow its activities and its importance in the industry at this critical time. The Budget and Business Plan, as well as the new dues structure were passed and approved by the Members.

At the reception following the meeting, we welcomed and enjoyed cocktails and buffet with about 100 of our members and their guests. Mr. Mogi stated that FIA Japan became more and more active as members from different backgrounds exchanged opinions on a candid basis. He encouraged each member to continue to take an active part in FIAJ's activities going forward.

Gold Sponsors:



FIA Japan Tech Roundtable "How should we recognize "Risk" due to investment or trading time horizon when using Algorithmic Trade Solutions (ATS)?"

May 22, SunGard Japan Offices

The FIAJ Tech Committee organized a roundtable in Japanese that featured a presentation by Dr. Yoon, researcher specializing on Algorithmic Trade Solutions and Risk and president of CMD Laboratory Inc. The target audience was engineers, advanced investors, researchers and risk managers who are subject-matter experts on ATS.

With around 25 such experts attending, the event was a great success. Following the Q&A session, participants also had a chance to network at the reception. Presentation materials will soon be uploaded on the FIAJ website.



Left: Dr. Yoon at the podium
Right: participants gathered at the roundtable

SUNGARD®

TOCOM Hosted Seminar in Hong Kong - Enhances Presence in the Region

TOCOM held its “Commodity Market Seminar” in Hong Kong on July 16 at the Exchange Exhibition Hall to present an update of Japan’s commodity futures market and showcase its trading opportunities. A significant development that was highlighted was the granting of ATS (Automated Trading Services) status in February 2014 by Hong Kong’s regulator for TOCOM to provide direct market access to participants in the region.

The seminar featured a special lecture on market prospects by Mr. Tetsu Emori of Astmax Asset Management. This was followed by the Exchange’s presentation and a panel discussion on the challenges and future of the TOCOM market, which was moderated by Mr. Yasuo Mogi of Nissan Century Securities with panelists from TOCOM’s clearing brokers, proprietary trader, and a representative from the Japanese regulatory authority. The event concluded successfully with a networking reception where some 100 attendees enjoyed sushi and cold sake.



The panel discussed the future of Japan’s commodity market at the TOCOM Commodity Market Seminar in Hong Kong – (from the left) Mr. Kurosu - METI, Mr. Kunst - Flow Traders, Mr. Mogi - Nissan Century, Mr. Sugitani - Newedge Japan, Mr. Yagasaki - Okachi (Hong Kong)

Future Events

FIA-J Cool-Off Summer Party- Sep 17

FIA Japan will hold its annual summer party at Ark Hills Club on Wednesday, September 17. FIA Japan welcomes members to participate along with their guests, so that our social event can also be utilized for networking. For further information, please contact the Executive Secretary (morizono@fiajapan.org).

- Date: Wednesday, September 17, 2014
- Time: 18:00–20:00
- Venue: Ark Hills Club
- Fee: Member - One representative > Free
Other guests of Members and Non-members > JPY 3,000
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**[FIA/SFOA Burgenstock Conference](#)
[23-25 September, Geneva Switzerland](#)**

Join FIA, FIA Europe, and SFOA for the 35th annual Bùrgenstock Global Forum for Derivatives Markets. Bùrgenstock attracts distinguished speakers from the listed derivatives industry, as well as leaders from the economic, academic, and political worlds for a high-level debate and discussion. Representatives from international brokerage firms, exchanges, and representatives from regulatory agencies will also be in attendance. The conference has proven to be an ideal forum for encouraging closer cooperation among market participants and international regulators.





FIA Japan was originally established in Tokyo in 1988 as a nonprofit organization by foreign and Japanese futures industry participants and later reorganized as a “General Incorporated Association” (“Ippan Shadan Hojin”). It is the only organization in Japan of its type with a membership drawn from the entire cross section of the derivatives industry. It has approximately 60 members representing the various corporate sectors participating in the derivatives industry in Japan. Their Mission is to encourage the growth and success of the Japan financial marketplace and its development as a regional and global financial center.

FIA Japan Recent Activities

[FIA Japan New Website is Live!](#)

After several month of development, the new FIAJ website went live in July. We have revamped the overall design to make it more attractive and added new functions, such as the blog. We plan to further add functionalities in the months to come, aiming at both making our website more user-friendly and making the FIAJ Office more efficient. Some of the new functions will include a secured event registration tool (in relation to our seminar series), a blog and newsletter subscriber tool and automated mailing capability.

Webinar Series Project

Following discussions within the Tech Committee and the Market Development Committee, we are currently considering adding webinars (internet-based seminars) as a mean to conduct some of our seminar projects. The aim of adding this new tool is to help educate the general public on futures, implement theme-specific seminars for FIAJ members and to help promote our derivatives markets, as more people would be able to participate through the internet. We would continue to hold actual seminars and workshops in parallel.

Japan International Derivatives Conference: Pencil in your Calendars!

As mentioned in several of our past editions, FIA Japan is focusing on holding another major international financial market conference in Tokyo. The exact date and venue is being finalized shortly but we are looking at late February 2015 or early March, so pencil in your calendars! We have set up a Conference Task Force, regrouping key members of FIAJ, under the chairmanship of KVH CEO Ed Higase. Our task force will promptly start working on the details of the conference, including venue, programing, speakers, sponsorship and organization.

Our previous Tokyo conference in 2012 drew about 400 professionals from in and out of Japan and was a tremendous success. Stay tuned for more details to come through this newsletter and our website.

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*Actual records for fiscal 2013

Contact us: editor@fiajapan.org