February 12,2015

Comments on the Financial Stability Board's Consultative Document:
Standards and Processes for Global Securities Financing Data Collection and Aggregation

Trust Companies Association of Japan

We, the Trust Companies Association of Japan, would like to express our gratitude for this opportunity to comment on the consultative document: *Standards and Processes for Global Securities Financing Data Collection and Aggregation* released on November 13, 2014 by the Financial Stability Board (FSB).

We hope that our comments below will assist in the remaining work towards finalizing the rules by the FSB.

Section2. Data elements and granularity
（1）2.2.1 Repurchase agreement and sell/buy back operations

No.	Comments
Q2-3.	・ The cost reduction of data collection needs to be taken into consideration. It may be effective for the cost reduction to utilize the actual transaction data and balance data held by the parties with trade discretion（such as investment management companies）or by the infrastructure for trade verifications（such as JSCC, JASDEC） and to share the roles of data collection which means that the classification of bucket (e.g. 2.3 Original maturity, 3.3 Sector of reporting entity, 3.8 Residual maturity, 4.13 Hair cut) should be processed by those who receive the data (such as regulators). ・ "Reporting entity"is defined as "the cash taker for repo or sell/buy back operations and the cash provider for reverse repo or buy/sell back operations " in 3.3, and trustees (trust banks) take or provide cash for trust funds. Therefore, "Sector of the Reporting Entity" should be the sector of the settlers or the beneficiaries for trust funds. In some cases, the role of trustees (trust banks) is only to execute settlements, without the discretion of lending transactions or collateral management. In such cases, controlling risks such as counterparty risk and reinvestment risk are outside of the trustees' responsibilities, and the elements associated with these risks such as 2.3 (Original maturity), 3.9 (Repo rate) and the data related to collateral cannot be provided. Therefore, it is important to allow discretion to each jurisdiction in collecting data. （Reporting entity should be the party with trading discretion such as investment management companies in such cases.）
Q2-3. （Table3,4）	・ "Counterparty jurisdiction" is basically being managed, but in some cases, the counterparty might be only the counterparty of settlements rather than trades. In addition, the collateral related data such as 4.8 (Collateral type), 4.9 (Collateral quality), 4.11 (Collateral residual maturity) is not currently managed.

（2）2.2.2 Securities lending and borrowing

No.	Comments
Q2-9	・ In securities lending transactions, collateral is not assigned to each loan, but to the aggregate daily loan balance. Accordingly, collateral data cannot be reported in linkage with each loan transaction.
Q2-10	・ As for the elements 4.8 and 6.8, in case of using tri-party banks for

	collateral management, trustee banks instruct tri-party banks aggregate required value of collateral as well as types of eligible securities and haircuts. Trustee banks do not manage or book name or number of units of each security. Therefore, new system needs to be introduced in order to acquire the collateral data from tri-party banks and create the reporting data. ・As for the element 5.11, rebate rate is not used for the trades of Japanese equity lending and cash investment rate is determined for the aggregate value of loans after the trades. Only securities lending fee is linked to individual loans. Therefore, only securities lending fee can be reported.
Q2-12	・In case of exclusive trades, securities lending fee is calculated based not on individual loans but on the whole exclusive portfolios. Therefore, it would be preferred to add an indicator to securities lending fee of exclusive trades or to regard the whole exclusive portfolio as the loan. From the market participant's point of view, it is preferred not to disclose exclusive rate in public because it may affect the trades significantly.

Section3. Data architecture

No.	Comments
Q3-4	・Trust banks as financial institutions owe the duty of confidentiality not to disclose customer information to a third party, unless otherwise required by the trust agreement or the laws and regulations. It is impractical for trust banks to obtain written consent for the disclosure from all the customers (settlors or beneficiaries) of a large number of trust funds. Therefore, some kind of amendments of the laws and regulations that enable trust banks to provide the regulators and the counterparties the data of securities lending and repos.

Section4. Recommendations for national /regional data collections

No.	Comments
Q4-1	・Japanese trust banks have controlled excessive leverage and liquidity risk of the transactions of trust funds under trust banking regulations (e.g. Trust Business Act), as a result, contributed to minimized the systemic risk of the Japanese repo market. Accordingly, cash collateral is invested in short-term financial instruments considering the liquidity risk, credit risk of counterparties. The amount of investment of the cash collateral is limited to the value of trust assets. ・The settlement cycle will be shortened to T+1 for JGB outright transactions and T+0 for repo transactions in Japan in a few yeas. Most of

| | the participants of Japanese repo market need to make considerable investments for the preparation and the remaining resource is very limited. Considering the time needed for the preparation, the implementation of the data collection should be at least two years after the T+1.

・Considering the operational burden for the reporting, it is preferred to set moderate deadlines such as "by the end of the following month," because timely reporting could be difficult in case of the schedule conflict of existing business tasks and the reporting.

・If the internationally agreed standard identifiers are used, the range and the stability of use in each country should be taken into consideration. If the identifiers are used differently, the operational burden of data collection may increase and the consistency of data may be lost. |