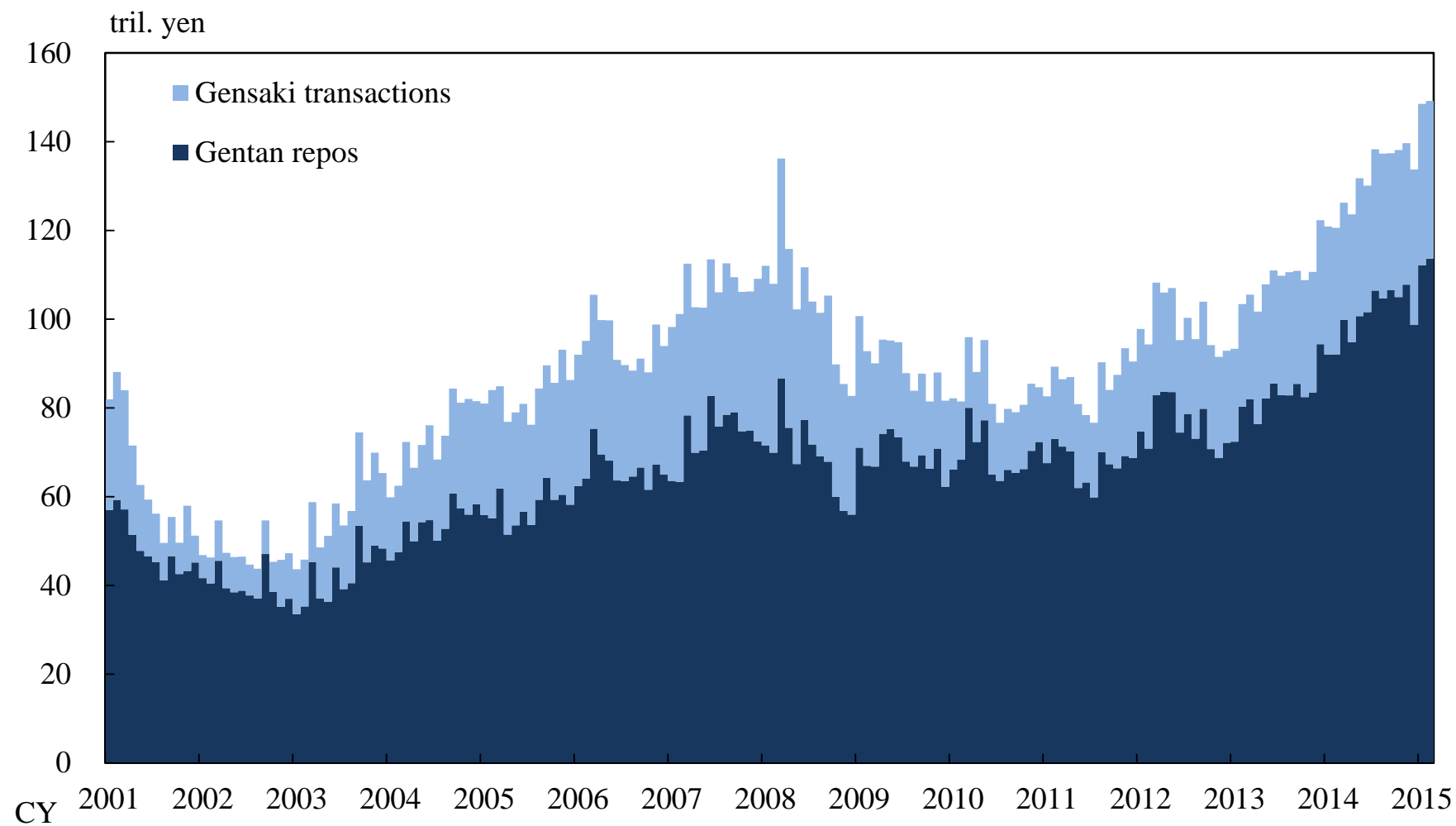


**Toward Further Development of
the Tokyo Financial Market**
— Issues on Repo Market Reform —

May 13, 2015

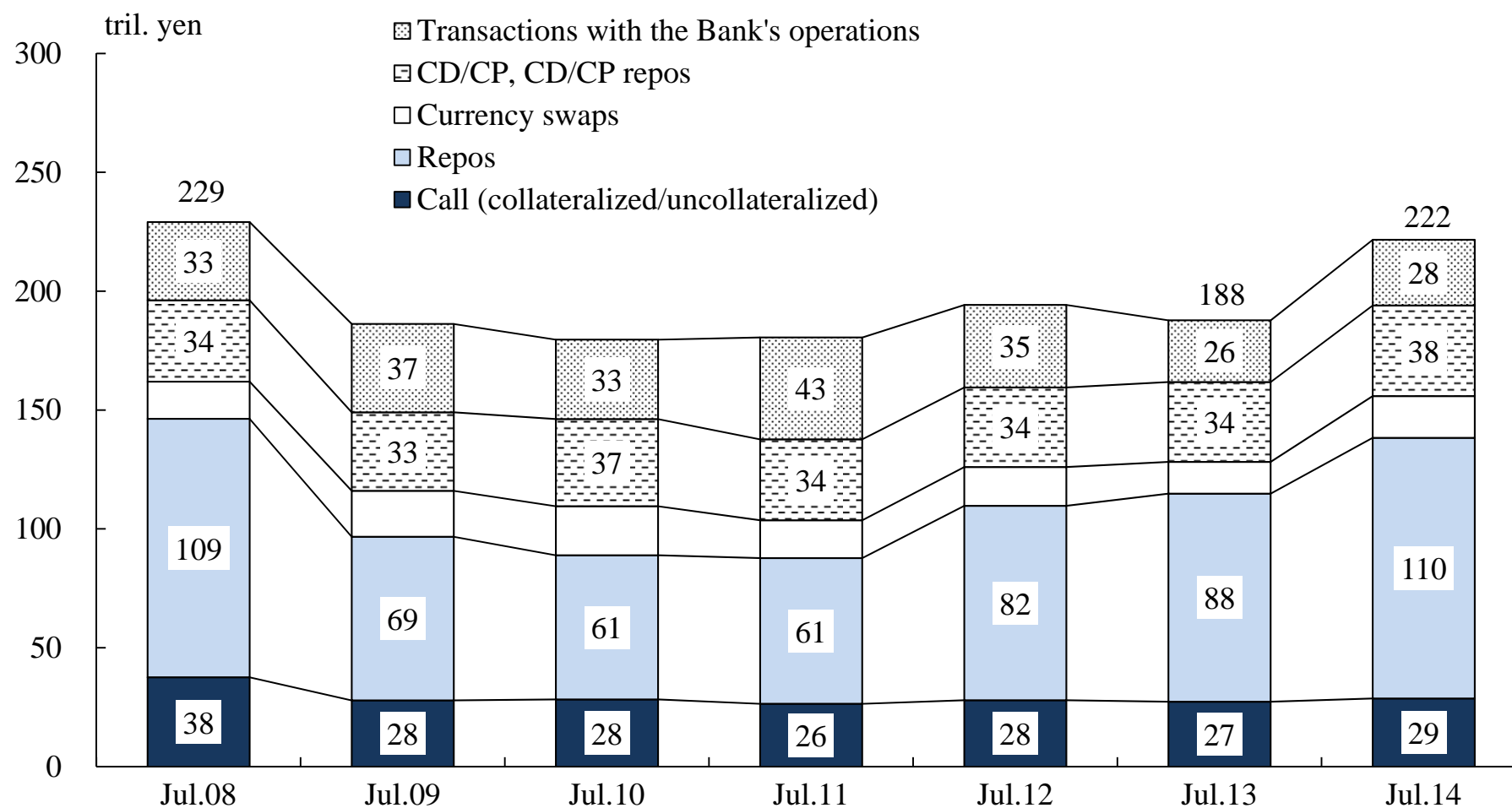
Takehiro Sato
Bank of Japan

Amount Outstanding of Repos



Source: Japan Securities Dealers Association.

Amount Outstanding in the Money Market



Note: Cash borrowing side.
Source: Bank of Japan

Discussions by the G20 and the FSB

Nov. 2010	The G20 asked the FSB to develop recommendations to strengthen the oversight and regulation of the shadow banking system (Seoul summit).
Nov. 2011	The G20 acknowledged the FSB report "Shadow Banking: Strengthening Oversight and Regulation," and consideration was begun on strengthened regulation of shadow banking (Cannes summit).
Aug. 2013	The FSB published the report "Policy Framework for Addressing Shadow Banking Risks in Securities Lending and Repos," and regulation was finalized for securities lending and repos, excluding the regulatory framework for haircuts.
Oct. 2014	The FSB published the report "Regulatory Framework for Haircuts on Non-Centrally Cleared Securities Financing Transactions," and the regulatory framework for haircuts was finalized, excluding some portions.
Nov. 2014	The FSB published the report "Standards and Processes for Global Securities Financing Data Collection and Aggregation."

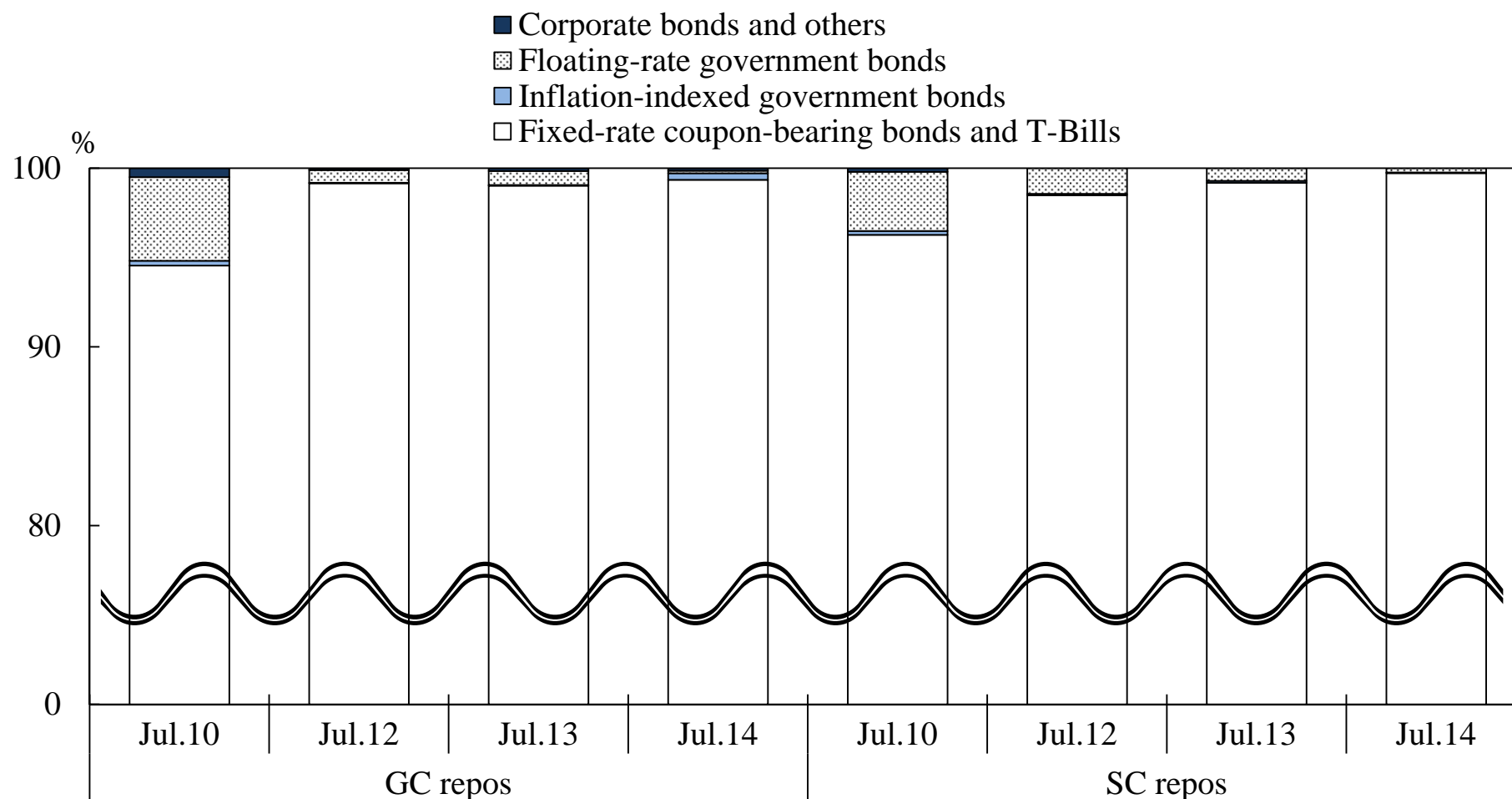
The FSB's Main Policy Recommendations

Recommendation	Summary
Data collection	Authorities should collect data on the amount of repo and securities lending transactions and on other items at the national/regional level and at the global level to improve transparency.
Qualitative standards for methodologies to calculate haircuts	Authorities should set qualitative standards that must be satisfied by the methodologies used to calculate haircuts on non-centrally cleared repo and securities lending transactions.
Numerical haircuts floors	For non-centrally cleared repo and securities lending transactions in which banks provide financing to non-banks, authorities should introduce the framework of numerical floors for haircuts by type of collateral, excluding government bonds.
Regulations on re-hypothecation of client assets	Authorities should regulate re-hypothecation activity, in which client assets deposited for a certain period as part of repo and securities lending transactions are reused by financial intermediaries in other transactions.

Numerical Haircut Floors

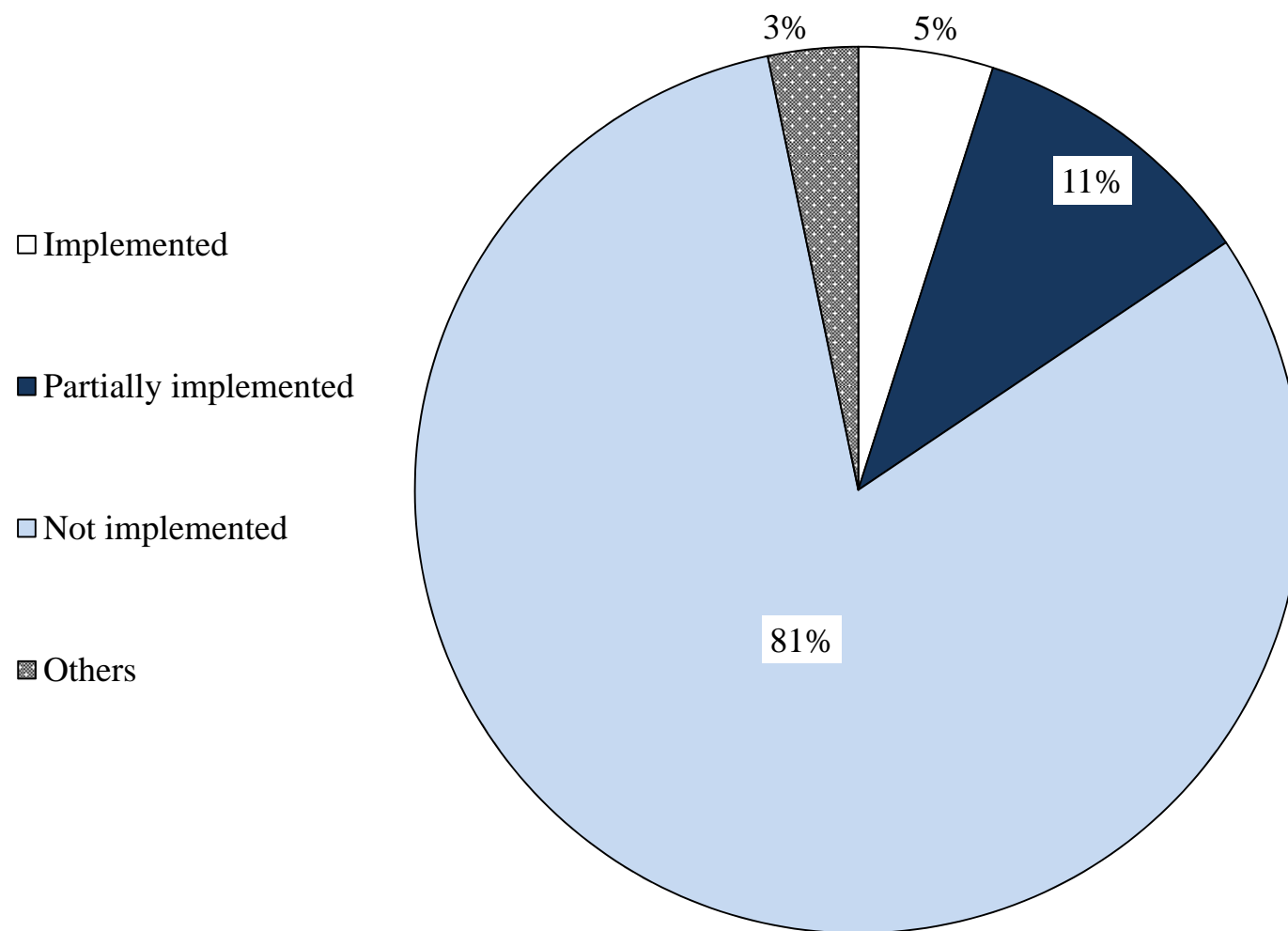
Residual maturity of collateral	Corporate and other issuers	Securitized products	Main index equities	Other assets within the scope of the framework
≤ 1 year debt securities, and FRNs	0.5%	1.0%	6.0%	10.0%
> 1 year, ≤ 5 years debt securities	1.5%	4.0%		
> 5 years, ≤ 10 years debt securities	3.0%	6.0%		
≥ 10 years debt securities	4.0%	7.0%		

Share of Amount Outstanding of Repos by Type of Collateral Bond



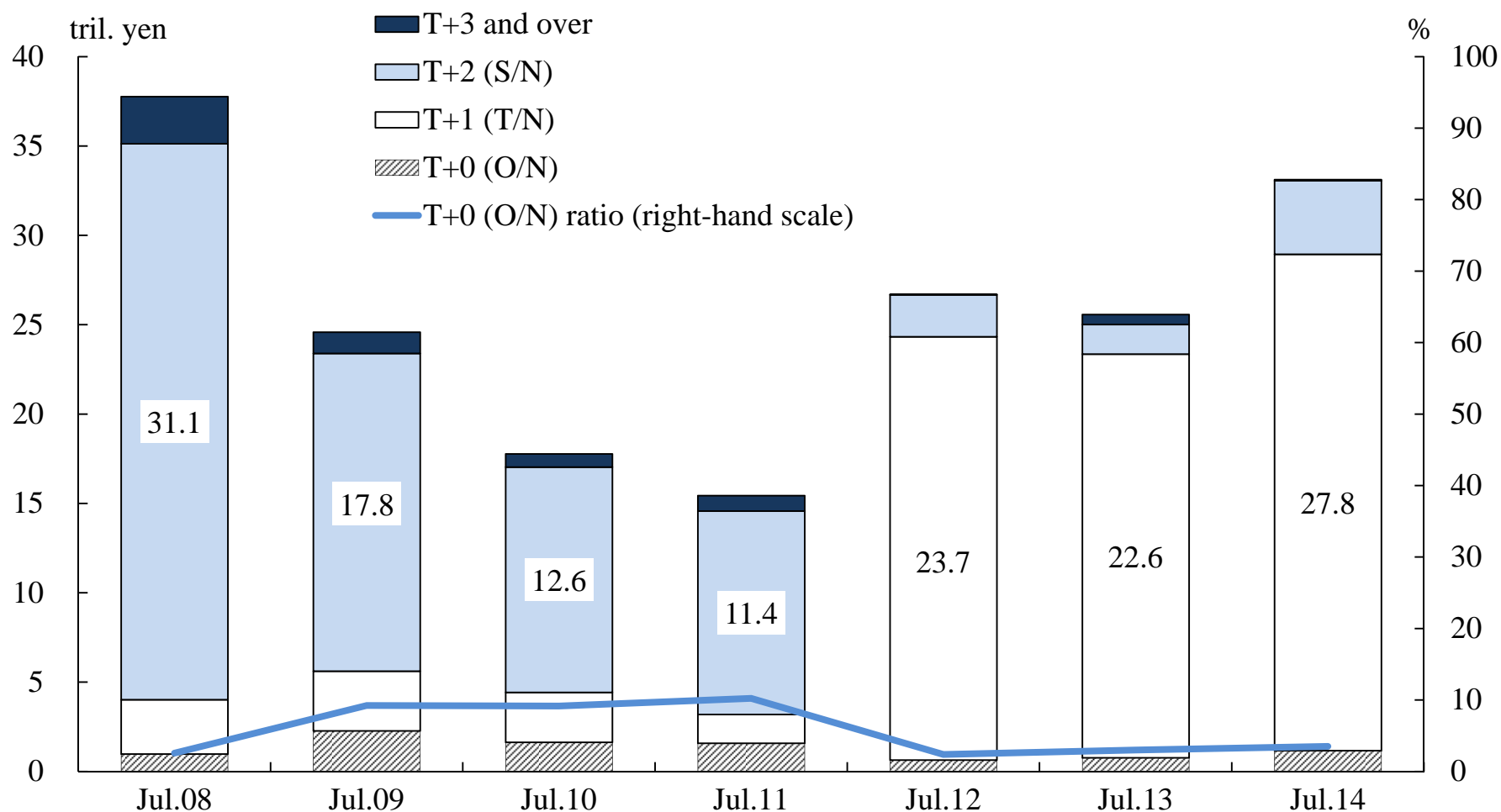
Note: Bond lending side.
Source: Bank of Japan.

Implementation of Haircuts



Note: Excludes respondents who do not engage in repos. The data are as of July 2014.
Source: Bank of Japan.

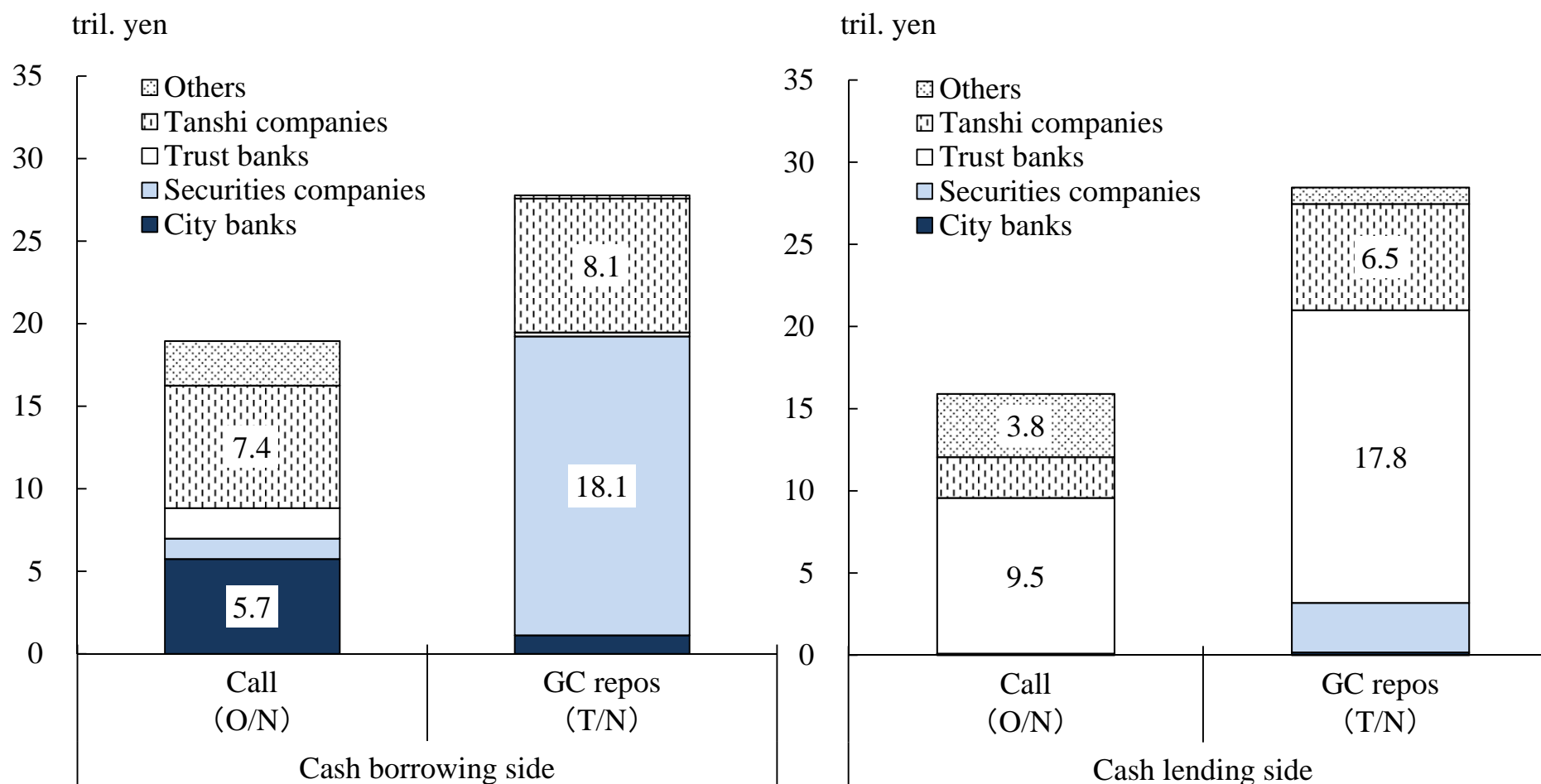
Amount Outstanding of Overnight Transactions in the GC Repo Market by Starting Date



Note: Cash borrowing side.

Source: Bank of Japan.

Amount Outstanding of Overnight Transactions in the Call and GC Repo Markets by Sector

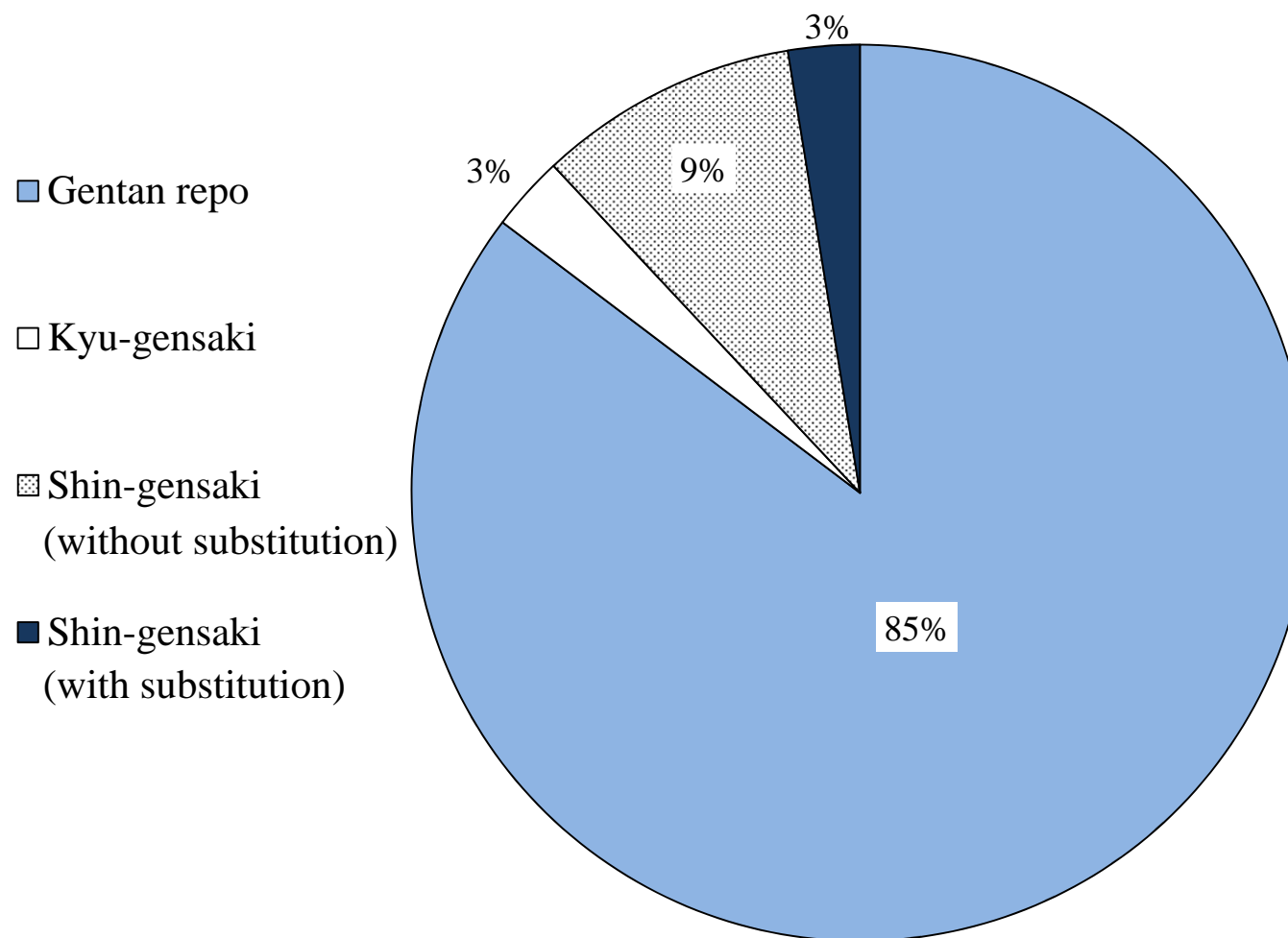


Note: Among call transactions, the figures for uncollateralized call transactions include direct dealing transactions.

The data are as of July 2014.

Source: Bank of Japan.

Share of Amount Outstanding of Repos by Type of Contract



Note: Total of cash borrowing and lending. The data are as of July 2014.
Source: Bank of Japan.