Dear Madams and Sirs

We, Daiwa Securities Co. Ltd., would like to make several comments on the “possible measures of non-cash collateral re-use” dated 23 February 2016.

With regard to Q1 (“Does the proposed scope of transactions for data collection (Scope A) provide a practical basis for the meaningful measure of non-cash collateral re-use?”), we totally agree to FSB’s consideration that the scope should be restricted to SFTs (i.e. Scope A) as it enables to monitor SFTs without entangling them with different trades with purposes and natures other than securities financing.

With regard to Q2 (“Are there any practical issues in relation to the three measures of collateral re-use that are set out in this Section? Are there any ways to improve these measures?”), we assess that the “3.1 Exact measure” involves fundamental difficulty in differentiation among securities coming from our own assets, those received from counterparties as collateral, and those borrowed from other parties. This is because all those assets, as long as allowed to use under relevant contracts, are controlled together. Even if we separately manage them internally, it does not constitute segregation respected in bankruptcy procedure. Hence, attempting to follow the “Exact measure” might result in similar results with the “3.2 Approximate measure”.

We strongly believe 3.2 Approximate measure could be the best choice for Japan.

Yours Sincerely

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