GYG/52/H28
April 21, 2016

Comments on the Consultative Report: Transforming Shadow Banking into Resilient Market-based Finance - Possible Measures of Non-Cash Collateral Re-Use, issued by the Financial Stability Board

Japanese Bankers Association

We, the Japanese Bankers Association ("JBA"), would like to express our gratitude for this opportunity to comment on the consultative report: *Transforming Shadow Banking into Resilient Market-based Finance - Possible Measures of Non-Cash Collateral Re-Use*, issued on February 23, 2016 by the Financial Stability Board ("FSB"). We respectfully expect that the following comments will contribute to your further discussion.

We would like to comment on the questions 1, 2 and 3 out of questions 1 to 11 presented in the consultative report, and would appreciate your consideration.

Q1 (p.3)

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? If not, please explain how you think the scope should be broadened and the reasons why this alternative scope is more appropriate than the proposed scope.

(Comment)

We support the proposed Scope A, which is restricted to collateral posted or received and subsequently re-used in repos, securities lending and margin lending which are subject to data collection requirement by the Data Experts Group ("DEG").

(Rationale)

The above-mentioned securities financing transactions are subject to DEG's data collection requirement and it is highly anticipated that data collection for such transactions will capture financial stability risks.

Q2 and Q3 (p.6)

Q2. Are there any practical issues (e.g. updating current business practices, IT systems) 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?

Q3. For the first measure, are there any practical issues in reporting whether collateral you posted is in the form of "own assets" or in the form of assets that were received as collateral in a previous transaction?

(Comment)

The first measure of collateral re-use should be excluded from the proposed measures because its operational feasibility cannot be ensured.

(Rationale)

In practice, own assets and assets received as collateral are not distinguished under repo transactions. Further, the first measure, if adopted, would impose considerable burdens related to system modification/development and trading methods on reporting entities.