

DTCC is the ultimate parent company of DDRJ. DTCC is a non-public holding company that owns a number of FMIs in the United States. DTCC is owned by the financial institutions who are the participants of the financial markets and also the users of its services.

Also, DDRJ operates its business as an FMI based upon the conviction that DDRJ effectively controls the operating costs and fees shall be changed accordingly to the services provided.

In consideration of the above corporate mission of DTCC, DDRJ’s Principles of Governance sets out as follows:

“DDRJ’s responsibilities to those constituencies include:

- providing a broad range of services to support their financial activities at the lowest reasonable cost,
- expanding services as necessary to meet constituents’ evolving needs to meet the financial activities promptly and efficiently”

Moreover, as an entity supervised by the JFSA, DDRJ established its structure and management including its governance framework driven by its mission to report the trade information to the JFSA on behalf of the customers to satisfy reporting obligation.

Specifically, DDRJ makes every effort to ensure that its development of service and product match the market’s need through the following context and processes.

From the perspective of the business goals planning process

DTCC initiates the annual planning and business goals setting for its subsidiaries including the ones operating trade repository business across the jurisdictions, and DDRJ as a member of the DTCC group is included in such process. Such business goals are built through the close coordination and consultation with key stakeholders including but not limited to DTCC’s subsidiaries, DTCC’s Board, the financial industry, and the regulators.

Furthermore, DDRJ’s business goals are prepared and reviewed through the ongoing communications with regulators and financial industry to meet the various regulatory requirements and consequently, approvals are required by DDRJ’s Board.

From the perspective of involvement by the customers in product development process

DDRJ ensures customers’ involvement in the process for the product development and the improvement of the quality of services by leading and participating in the industry working groups. DDRJ’s customers can participate in such working group in order for them to voice their opinions regarding the market and regulatory requirement of the trade reporting.

DDRJ conducts close communications with its regulators regarding its current and future pictures of the regulatory requirements.

Key Consideration 2:

An FMI should have clearly defined goals and objectives that are measurable and achievable, such as in the areas of minimum services levels, risk-management expectations, and business priorities.

DDRJ’ corporate goals and objectives, as a member of DTCC group, are to enhance the transparency of OTC derivatives market, reduce the system risk around the financial market and protection against market abuses, based upon the global commitment reached at G20 Pittsburgh Summits in 2009 and to comply with the applicable laws and regulations relating to such agreement.

Business updates including the progress against the business goals and market overview are reported as a standing agenda at DDRJ’ Board along with the updates from the risk management, compliance and internal audit.

These status reports of the business and risk management are also shared with DTCC’s senior management and kept tracked for DTCC group as a whole.

Key Consideration 3:
An FMI should have established mechanisms for the regular review of its efficiency and effectiveness.

Please refer to the explanation in above.

Principle 22: Communications Procedures and Standards
An FMI should use, or at a minimum accommodate, relevant internationally accepted communication procedures and standards in order to facilitate efficient payment, clearing, settlement, and recording.

Key Consideration 1:
An FMI should use, or at a minimum accommodate, internationally accepted communication procedures and standards.

DDRJ supports industry standard of interfaces technologies, i.e., internet, direct interface (direct end to end line). The interface methods are available for all customers.

Additionally, service providers of DDRJ’s customers are eligible to use any one or combination of the interface methods. DDRJ’s customers need to identify interface method during the onboarding process; however, they can change the interface method throughout its relationship with DDRJ, e.g., selecting a direct line in addition to internet access.

The following list illustrates the available interfaces and associated formats that are supported by DDRJ.

Interface	Type	Format
Direct line	MQ	Financial Product Markup Language (FpML)
Direct line	sFTP/FTP/NDM (push/pull)	Comma Separated Value (CSV)
Direct line	sFTP/FTP/NDM (push/pull)	Financial Product Markup Language (FpML)
Internet	GUI (Upload/Download)	Comma Separated Value (CSV)
Internet	sFTP (push/pull)	Financial Product Markup Language (FpML)
Internet	sFTP (push/pull)	Comma Separated Value (CSV)

Also, DDRJ provides full support for industry standard of the identifiers for financial instruments and counterparties. DDRJ continues working with the industry and regulators for the use of such identifiers.

Principle 23: Disclosure of Rules, Key Procedures, and Market Data
An FMI should have clear and comprehensive rules and procedures and should provide sufficient information to enable participants to have an accurate understanding of the risks, fees, and other material costs they incur by participating in the FMI. All relevant rules and key procedures should be public disclosed.

Key Consideration 1:

An FMI should adopt clear and comprehensive rules and procedures that are fully disclosed to participants. Relevant rules and key procedures should also be publicly disclosed.

DDRJ's User Agreement, Operating Procedures and Operating Rules comprise the rules and procedures of DDRJ's services and they are applicable to all customers and other relevant parties.

DDRJ's Operating Procedures have been drafted through the extensive discussions and reviews by the experienced and knowledgeable senior members of DTCC group and financial industry as well as the consultations with internal and external lawyers.

DDRJ's User Agreement and Operating Procedures are provided to all customers and potential customers upon request.

DDRJ's Operating Rules, User Agreement and Operating Procedures are posted at DTCC's website, and any changes to such documents are also published by an Important Notice at DTCC's website in addition to the individual notices of such changes to all customers by other means in advance of such changes.

Key Consideration 2:

An FMI should disclose clear descriptions of the system's design and operations, as well as the FMI's and participant's rights and obligations, so that participants can assess the risks they would incur by participating in the FMI.

DDRJ's Operating Procedures contain the rights and obligations of both DDRJ and its customers who use DDRJ's services and system at their own risk.

DDRJ's Operating Procedures are equally applicable to all customers; therefore, no specific customer incurs or is protected from the specific risk more than any other customers.

The following documents will provide the detailed information for DDRJ's system design and operations:

- ✓ Technical specifications
- ✓ Business Requirement Documents (These documents are primarily for internal use, but can be shared with the customers)
- ✓ Functional specifications
- ✓ User Guides

The customers have access to these documents via a password protected area of DTCC website, and potential customers who consider using DDRJ's system will be provided with necessary information subject to a confidentiality agreement.

DDRJ's Operating Procedures are posted at DTCC's website, and any changes to DDRJ's Operating Procedures and other documents are also published by an Important Notice at DTCC's website in addition to the individual notices of such changes to all customers by other means in advance of such changes.

Key Consideration 3:

An FMI should provide all necessary and appropriate documentation and training to facilitate participants' understanding of the FMI's rules and procedures and the risks they face from participating in the FMI.

DDRJ facilitates its customer’ understanding of its rules and procedures through the following means:

- ✓ DDRJ’ Operating Procedure - delivered to all customers as well as potential customers upon request and posted at DTCC’s website.
- ✓ DDRJ’s Operating Rules – posted at DTCC’s website.
- ✓ User Guide – made available via DTCC website.
- ✓ Specific explanation to be provided to the customers regarding their rights and obligations upon request and escalated to the legal, compliance and management groups as appropriate.
- ✓ Detailed explanation to be provided to the customers regarding the onboarding process and requirements.
- ✓ Participation in industry working group discussions as needed to foster communication and information sharing
- ✓ Explanation and advice to be provided to the potential customers to address any potential lack of understanding.
- ✓ Users’ Acceptance Test to be conducted before using the service and system to confirm system operability and users’ understanding.

Key Consideration 4:

An FMI should publicly disclose its fees at the level of individual services it offers as well as its policies on any available discounts. The FMI should provide clear descriptions of priced services for comparability purposes.

Fees Table is posted as the Appendix to DDRJ’s Operating Procedures at DTCC website. DDRJ’s Operating Procedures including Fees Table are provided to all customers and potential customers upon request in advance of their onboarding. DDRJ’s Operating Procedures are also posted at DTCC’s website

Additionally, changes to the Fees Table, which requires the approval of DDRJ’s Board, will be notified to all customers.

Key Consideration 5:

An FMI should complete regularly and disclose publicly responses to the CPSS-IOSCO disclosure framework for financial market infrastructures. An FMI also should, at a minimum, disclose basic data on transaction volumes and values.

This document is DDRJ’s disclosure document pursuant to the CPSS-IOSCO “Principles for Financial Market Infrastructures: Disclose Framework and Assessment Methodology.” DDRJ will update this disclosure document if there are any material changes to the company or its businesses, and disclose the updated document at a frequency of at least once a year.

The JFSA publishes the OTC derivatives trade data with its nominal amounts by customer segments and by underlying asset classes. Under the current regulatory framework in Japan, except in case where DDRJ is specifically ordered by the JFSA to disclose, DDRJ is not required to disclose data on OTC derivative transaction and thus DDRJ does not publish such data.

Principle 24: Disclosure of Market Data by Trade Repositories

A TR should provide timely and accurate data to relevant authorities and the public in line with their respective needs.

Key Consideration 1:

A TR should provide data in line with regulatory and industry expectations to relevant authorities and the public, respectively, that is comprehensive and at a level of detail sufficient to enhance market transparency and support other public policy objectives.

As defined by FIEA and its related Cabinet Office Ordinance, DDRJ as a designated trade repository functions to record the OTC derivative transaction data submitted from its customers who have the regulatory obligation and to report the data onto JFSA.

The JFSA publishes the OTC derivatives trade data with its nominal amounts by customer segments and by underlying asset classes. Under the current regulatory framework in Japan, except in case where DDRJ is specifically ordered by the JFSA to disclose, DDRJ is not required to disclose basic data on OTC derivative transaction and thus DDRJ does not publish such data.

Key Consideration 2:

A TR should have effective processes and procedures to provide data to relevant authorities in a timely and appropriate manner to enable them to meet their respective regulatory mandates and legal responsibilities.

When DDRJ commenced trade repository business to provide the OTC derivative trade data to the JFSA, DDRJ together with the relevant departments of the service providers comprehensively checked and reviewed the technical specifications of the system deployed by the JFSA and ensured that the required data were provided.

When any update or change is required to DDRJ's system, DDRJ works with the relevant departments of the service providers to satisfy the new technical specifications.

Key Consideration 3:

A TR should have robust information systems that provide accurate current and historical data. Data should be provided in a timely manner and in a format that permits it to be easily analyzed.

DDRJ built the program in its operating system to validate the required data fields for the JFSA reporting. Even if any error or irregularity occurs, therefore, such error or irregularity can be alerted and detected as the exceptions and fixed properly.

Trade data is prepared and reported to the JFSA, in full compliance with the technical specifications and regulatory requirements defined by the JFSA.

5. List of Publicly available information

The IOSCO Principles for Financial Market Infrastructures http://www.iosco.org/ and http://www.bis.org
Financial Instruments and Exchange Act http://law.e-gov.go.jp/htmldata/S23/S23HO025.html
Cabinet Office Ordinance on Regulation of Over-the-Counter Transactions of Derivatives, etc. http://law.e-gov.go.jp/htmldata/H24/H24F10001000048.html
Comprehensive Guidelines for Supervision of Financial Market Infrastructures http://www.fsa.go.jp/common/law/guide/seisan.pdf
Bank of Japan Act http://law.e-gov.go.jp/htmldata/H09/H09HO089.html
DDRJ' Operating Rules, Operating Procedures, User Agreement, etc. http://www.dtcc.com
DTCC Annual Report http://www.dtcc.com