Japanese Financial Institutions Join Force in Using Blockchain Technology to Streamline Derivatives Transactions

Tokyo, June 1, 2017—Nomura Holdings, Inc., Daiwa Securities Group Inc., Mizuho Financial Group, Inc., Sumitomo Mitsui Banking Corporation and R3 today announced the successful testing of a prototype developed using Corda\(^1\), a distributed ledger technology (DLT) platform based on blockchain, to streamline ISDA Master Agreement negotiation.

When signing an ISDA Master Agreement, a standard document published by the International Swaps and Derivatives Association to govern over-the-counter derivatives transactions, financial institutions are typically required to coordinate with various functions internally while negotiating the contract terms with an external counterparty. Both processes are generally conducted through e-mails, which must be recorded and stored, creating a large amount of data that each firm needs to manage.

In an attempt to streamline the process, the prototype has been designed to remove the use of e-mails, while ensuring agreed terms and conditions can be securely recorded and stored on the DLT platform in chronological order. The use of the Corda technology is expected to enhance transparency and reduce the efforts in storing and managing all relevant data, which would help facilitate the negotiating process.

As part of the development process, all five companies participated in the identification of business requirements, with Nomura and Daiwa Institute of Research Ltd. leading the development of CorDapp, a distributed application built on Corda.

Following the successful completion of the prototype test, the group plans to identify other areas where this technology can be applied, such as other contract negotiation processes and product development.
Corda is a distributed ledger technology platform developed by R3, a consortium of global financial institutions collaborating to develop a platform and commercial applications for DLT. Though it is based on blockchain technology, Corda differentiates itself from typical blockchain platforms by retaining shared data within designated parties and not dispersing it through distributed networks, while still securing itself from data tampering and revision.