

## Developing Rules in Connection with the Introduction of Cross Margining at JSCC

As of April 28, 2015  
Osaka Exchange, Inc.

### I. Purpose

Japan Securities Clearing Corporation (JSCC) will introduce cross margining for the purpose of reducing the burden on IRS Clearing Participants for collateral obligations, by enabling offsetting of risks related to JGB Futures and IRS (scheduled for September, 2015).

In response to this, Osaka Exchange, Inc. (OSE) will make necessary amendments to its rules.

### II. Outline

Items	Contents	備考 Remarks
1. Scope of Cross Margining	<ul style="list-style-type: none"><li>The scope of cross margining, such as eligible trades, types of margin, and eligible entities, shall be prescribed by JSCC.</li></ul>	<ul style="list-style-type: none"><li>JSCC prescribes JGB futures positions (the first and second contract months of 10-year JGB futures (large and mini contracts)) and IRS positions as eligible for cross margining.</li><li>JSCC prescribes initial margin and intraday margin for IRS positions and margin for JGB futures positions as eligible types of margin for cross margining.<ul style="list-style-type: none"><li>Cross margined JGB futures positions are deducted from the calculation of required</li></ul></li></ul>

Items	Contents	備考 Remarks
		<p>margin for futures and options contracts, and are included in the calculation of the required amount of initial margin and intraday margin in association with IRS positions.</p> <ul style="list-style-type: none"> <li>• JSCC prescribes the scope of persons eligible for using cross margining as IRS Clearing Participants and Clearing Entrustors (limited to those belonging to the same corporate group as clearing brokers) that trade JGB futures as JGB Futures Clearing Participants or through a JGB Futures Clearing Participant belonging to the same corporate group.</li> </ul>
2. Handling of Right to Claim Return of Clearing Margins for Futures and Options Contracts	<ul style="list-style-type: none"> <li>• With regard to the calculation of the amount pertaining to the right to claim return of clearing margins, mark-to-market differences (those liquidated upon default and fixed thereafter) with regard to cross margined JGB futures positions shall be excluded from the unfulfilled portion of obligations that is deducted from current deposit.</li> </ul>	<ul style="list-style-type: none"> <li>• Mark-to-market difference (those liquidated upon default and fixed thereafter) with regard to cross margined JGB futures positions is deducted from the amount pertaining to the right to claim return of clearing margins of initial margin for IRS positions.</li> </ul>

Items	Contents	備考 Remarks
3. Handling of Cross Margined Positions in Arrangements for Unsettled Contracts owned by Trading Participant or Customer	<ul style="list-style-type: none"> <li>Positions of cross margined JGB futures are not eligible for transfer to another trading participant and resale or repurchase, etc. at the Trading Participant's own discretion in the cases below: <ul style="list-style-type: none"> <li>➤ In the case where OSE suspends trading and other activities of the trading participant on the OSE markets due to insolvency.</li> <li>➤ In the case of acceleration of performance of obligations of its customer.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>The required amounts of margin for cross margined JGB futures positions are calculated in association with IRS positions by taking risk offset into consideration. Therefore, in the case of arrangements for unsettled contracts concerning cross margined JGB futures positions due to insolvency, position liquidation shall similarly be conducted with the risk offset maintained in accordance with the method prescribed by JSCC.</li> </ul>
4. Others	<ul style="list-style-type: none"> <li>Other necessary revisions will be made.</li> </ul>	

### III. Implementation date (Scheduled)

These revisions will take effect in September 2015.

[EOD]