

Outline of the Clearing Conditions for Dividend Index Futures

March 24, 2010

Japan Securities Clearing Corporation

Items	Contents	Remarks
I. Summary	<ul style="list-style-type: none"> In response to the listing of Dividend Index Futures on Nikkei 225 Dividend Index, TOPIX Dividend Index and TOPIX Core30 Dividend Index at Tokyo Stock Exchange, Inc. (hereinafter referred to as "TSE"), Japan Securities Clearing Corporation (hereinafter referred to as "JSCC"), in order to provide clearing services for these contracts, will partially amend its current business procedures. 	
II. Outline of the Clearing Conditions		
1. Clearing and Settlement		
(1) Clearing Qualification	<ul style="list-style-type: none"> A clearing participant who has the Index Futures Clearing Qualification (hereinafter referred to as "Index Futures Clearing Participant") shall become a counterparty in JSCC's Financial Instruments Obligation Assumption Business performed with respect to dividend index futures contracts. 	
(2) Offsetting-Sale or Offsetting-Purchase	<ul style="list-style-type: none"> In the case where a Index Futures Clearing Participant has executed Offsetting-Sale or Offsetting-Purchase in respect of any issue of dividend index futures contracts, such Index Futures Clearing Participant shall notify JSCC, in respect of each issue and by the cutoff time set by JSCC, of their amounts and whether they were Offsetting-Sales or Offsetting-Purchases, by separating those for the proprietary account from those based on the commissions by its customers. 	<ul style="list-style-type: none"> Same as other existing index futures contracts.

Reference Translation

Items	Contents	Remarks
<p>(3) Clearing Price Index</p> <p>(4) Mark-to-Market</p> <p>(5) Position Transfer</p> <p>2. Margin</p>	<ul style="list-style-type: none"> • For each trading day, JSCC shall set the clearing price index for dividend index futures contracts. • Clearing price index shall be the closing contract index price of dividend index futures contracts in the session of the trading day; provided, however, that in the case of absence of such price, clearing index price shall be set as follows: <ul style="list-style-type: none"> a) Nearest contract month and Central Contract Month: the clearing price index of the previous trading day b) Other Contract months: the price index calculated by adding/subtracting the difference between the clearing index price for the Central Contract Month on the trading day and that on the previous trading day, to/from the clearing index price for relevant contract month on the previous trading day • Central Contract Month, in principle, shall be the contract month which JSCC recognizes as that with the highest liquidity. • Open positions of dividend index futures contracts shall be marked to the market every business day. • Mark-to-market values shall be netted against all of other payments and receipts regarding futures and options contracts which have been cleared by JSCC and such netted amount of money shall be paid or received between a clearing participant and JSCC. • Position Transfer will be available. 	<ul style="list-style-type: none"> • In the case where a contract month has not been traded since its initial trading day, JSCC shall set the clearing price for the contract month on all such occasions. • For an example of how the clearing index price is set, please refer to the Appendix. • Including the payments and receipts on Final Settlement (the amount of money equivalent to the difference between the Final Settlement Price Index and the clearing price index on the last trading day).

Reference Translation

Items	Contents	Remarks
(1) Margin Requirement	<ul style="list-style-type: none"> • The amount of margin requirement for dividend index futures contracts shall be calculated based on the positions for proprietary account and each customer's account by SPAN®. • Risk offset across contract months will not be allowed. • Neither risk offset across dividend index futures contracts nor risk offset against index futures contracts other than dividend index futures contracts will be allowed. 	<ul style="list-style-type: none"> • SPAN® is a margin calculation methodology which was invented by Chicago Mercantile Exchange, Inc. (CME). SPAN® is registered trademark of CME. • Margin requirement shall be calculated until the business day before the SQ Calculation Day, provided, however, that intra-day margin can be called on or before SQ Calculation Day. • Any other handling regarding margin will be in accordance with the current procedure of JSCC.
(2) Intra-Day Margin	<ul style="list-style-type: none"> • A contract month of Dividend Index Futures contracts shall not be deemed as a critical contract month for Intra-day margin call. • When an intra-day margin is called, positions and trades of Dividend Index Futures contracts shall be considered in the margin requirement calculation. 	<ul style="list-style-type: none"> • Currently, the critical contract month for intra-day margin call designated by JSCC is the Central Contract Month of TOPIX futures contracts and JGB futures contracts. • Any other handling regarding intra-day margin will be in accordance with the current procedure of JSCC.
II. Implementation Date	<ul style="list-style-type: none"> • Implementation is scheduled for July 26, 2010. 	<ul style="list-style-type: none"> • Same as the Launch Date in TSE.

Example of how Clearing Index Price is set for Dividend Index Futures

(a) Nearest Contract Month and Central Contract Month

	Closing Contract Index Price	Clearing Index Price of the day	Setting Method
X1 Day	¥ 180.0	¥ 180.0	The closing contract index price is set.
X2 Day	¥ 181.0	¥ 181.0	The closing contract index price is set.
X3 Day	N/A	¥ 181.0	The closing price of the previous business day(X2 Day) is set.

(b) Other Contract Months

	Closing Contract Index Price	Clearing Index Price for Central Contract Month of the day	Clearing Index Price of the day	Setting Method
Y1 Day	¥ 200.0	¥ 190.5	¥ 200.0	The closing contract index price shall be set.
Y2 Day	N/A	¥ 191.0	¥ 200.5	Calculated by adding the difference between the clearing index price for the Central Contract Month on the trading day and that on the previous trading day (thus, ¥191.0 - ¥190.5 = ¥ 0.5) to the clearing index price for this contract month on the previous trading day (¥200.0).
Y3 Day	N/A	¥ 189.0	¥ 198.5	Calculated by adding the difference between the clearing index price for the Central Contract Month on the trading day and that on the previous trading day (thus, ¥189.0 - ¥191.0 = - ¥ 2.0) to the clearing index price for this contract month on the previous trading day (¥200.5).