

Outlines concerning JGB OTC Transactions Clearing Business associated with Shortening of JGB Settlement Cycle and to Cover Inflation-Indexed JGB

November 26, 2014

Amended on May 27, 2015

Amended on June 21, 2017

Japan Securities Clearing Corporation

I. Introduction

- After the examination and discussion on issues concerning shortening of the settlement cycle for Japanese government bonds (JGBs) (T+1 for outright transactions and SC repos, and T+0 for GC repos), the “Working Group on Shortening of JGB Settlement Cycle” of Japan Securities Dealers Association has concluded to implement the Shortening of JGB Settlement Cycle (T+1) which addresses, among other things, an introduction of GC repo transactions through a method of contracting by basket (a group of multiple issues) without specifying collateral, and allocating collateral from inventory of JGB delivering party just before the delivery for the Starting Transaction (hereinafter referred to as “Subsequent Collateral Allocation Repos”) for the contracts entered into on or after May 1, 2018.
- JGB OTC Clearing Business currently does not cover inflation-indexed JGB. However, as the issuance of the bond resumed in 2013 and the balance of outstanding issues is expected to increase, the needs for the bond to be covered by clearing business are heightened. In light of such situation, JSCC has concluded that inflation-indexed JGB shall be subject to JGB OTC clearing business in conjunction with shortening of the settlement cycle for JGB.
- These outlines revise the frameworks of JGB OTC Transactions Clearing Business associated with shortening of the settlement cycle of JGB transactions (May 27, 2015) taking the contents of and subsequent discussion on the Outlines of JGB OTC Clearing Business to Cover Inflation-Indexed JGBs (November 25, 2015) into account and summarize the revision of the scheme.

II. Introduction of Subsequent Collateral Allocation Repos

Item	Description	Remarks
1. Transaction Subject to Clearing		

Item	Description	Remarks
(1) Eligible Products	<ul style="list-style-type: none"> Financial instruments subject to the Subsequent Collateral Allocation Repos are Japanese government bonds (excluding Japanese government bonds for retail investors). 	<ul style="list-style-type: none"> See Annex 1 for outline of the Subsequent Collateral Allocation Repos. Inflation-Indexed JGBs will be added to the coverage of clearing business. See III for details.
(2) Eligible Transactions	<ul style="list-style-type: none"> Transactions subject to the Subsequent Collateral Allocation Repos are Repo Transactions satisfying the following criteria: <ul style="list-style-type: none"> Transaction designating the basket specified by JSCC; If an application for the Clearing is made during the period from 7:00 a.m. to 2:00 p.m. on the contract day, the Starting Transaction delivery day is the contract day. If the application for the Clearing is made during the period from 2:00 p.m. on the contract day through 2:00 p.m. on the next day following the contract day (or, if such day falls on a holiday, next day which is not a holiday; the same applies hereinafter), the Starting Transaction delivery day is the next day following the contract day; The Ending Transaction delivery day arrives on or before the corresponding day after one (1) year from the contract day; As of the time of contracting, the Ending Transaction delivery day has been fixed; The delivery amount for the Starting Transaction is the integral multiple of 10 million yen; The delivery amount for both the Starting Transaction and the Ending Transaction is less than 10 trillion yen; Repo Transaction with accrued interest; Transaction which does not involve re-pricing; Transaction to which haircut does not apply; and For transactions facing a Trust Account, the fund code is identified. 	<ul style="list-style-type: none"> The Subsequent Collateral Allocation Method is not introduced into Cash-secured Bond Lending Transactions. Same as current JGB OTC Transaction Clearing Business, except for a, b, e and j.
(3) Basket	<ul style="list-style-type: none"> JSCC will set baskets specifying a scope of issues out of which allocation is to be made in the Subsequent Collateral Allocation Repos (hereinafter referred to as “Issues subject to 	<ul style="list-style-type: none"> See Annex 2 for the details of basket contents.

Item	Description	Remarks
<p>2. Clearing [Assumption of Obligations]</p> <p>(1) Application for Clearing</p>	<p>Allocation”).</p> <ul style="list-style-type: none"> • Contents of baskets shall be reviewed periodically. • Issue code of the basket will be ISIN Code and Bond Issue Code. • JSCC will disclose information on change of Issues subject to Allocation included in baskets. • Clearing Participants may apply to JSCC for Clearing in respect of the Subsequent Collateral Allocation Repos in the manner prescribed by JSCC, provided, however, that, as to baskets containing Inflation-Indexed JGB, only the Clearing Participants who have selected the fee rate types involving the Inflation-Indexed JGB may apply for an assumption of obligations. 	<ul style="list-style-type: none"> • Review of baskets shall be the matter to be consulted with the JGB OTC transaction management committee. • The details of basket contents shall be reviewed annually in principle. Temporary review should be considered in case the events such as significant change in market condition and establishment of new type of JGB occur. • No new clearing qualification in response to existence of Subsequent Collateral Allocation Repos will be established. • The manner prescribed by JSCC shall be the application through the Pre-Settlement Matching System of Japan Securities Depository Center, Inc. (same as current JGB OTC Transaction Clearing Business). • An application for Clearing may be made through an agent (same as

Item	Description	Remarks
(2) Clearing [Assumption of Obligations]	<ul style="list-style-type: none"> • A Clearing Participant shall apply for Clearing by specifying the following: <ul style="list-style-type: none"> a. Name of delivering Clearing Participant and receiving Clearing Participant; b. Netting accounts of delivering Clearing Participant and receiving Clearing Participant; c. Fund code related to Transaction subject to Clearing (in respect of transactions involving Netting Account that is a Trust Account); d. Contracting day e. Basket; f. The amount of money to be paid/received on the Starting Transaction delivery day and the amount of money to be paid/received on the Ending Transaction delivery day; g. Starting Transaction delivery day and Ending Transaction delivery day; and h. In case of the transaction subject to Brokerage for Clearing of Securities, etc., such effect. • Times (1) to start receiving application for Clearing, (2) application cutoff time and (3) when obligations are assumed are as follows: 	<p>current JGB OTC Transaction Clearing Business).</p> <ul style="list-style-type: none"> • Same as current JGB OTC Transaction Clearing Business, except for c and e (issue and quantity of JGBs that are required to be notified when applying for Clearing under current JGB OTC Transaction Clearing Business is not required to be notified). • Possible revision of time schedules, including cutoff times specified in the left column, will be considered as appropriate in light of the result of Participant connection tests and other factors.

Item	Description				Remarks																
	<table><tr><td></td><td>1st</td><td>2nd</td><td>3rd</td></tr><tr><td>Start Receiving Application</td><td>2:00 p.m. on previous day (or if such day falls on a holiday, preceding day that is not a holiday; the same applies hereinafter)</td><td>7:00 a.m. on current day</td><td>11:00 a.m. on current day</td></tr><tr><td>Application Cutoff Time</td><td>9:00 p.m. on previous day</td><td>11:00 a.m. on current day</td><td>2:00 p.m. on current day</td></tr><tr><td>Timing of Clearing</td><td>7:00 a.m. on current day</td><td>11:00 a.m. on current day</td><td>2:00 p.m. on current day</td></tr></table>					1st	2nd	3rd	Start Receiving Application	2:00 p.m. on previous day (or if such day falls on a holiday, preceding day that is not a holiday; the same applies hereinafter)	7:00 a.m. on current day	11:00 a.m. on current day	Application Cutoff Time	9:00 p.m. on previous day	11:00 a.m. on current day	2:00 p.m. on current day	Timing of Clearing	7:00 a.m. on current day	11:00 a.m. on current day	2:00 p.m. on current day	
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	<ul style="list-style-type: none">• Upon receipt of an application for Clearing from a Clearing Participant, JSCC will assume following obligations by each Transaction subject to Clearing, wherein the obligations set forth in a. and b. below shall be referred to as the “Starting Obligations” and the obligations set forth in c. and d. below shall be referred to as “Ending Obligations”:<ul style="list-style-type: none">a. The obligations to pay the amount to be paid/received for Starting Transaction on the Starting Transaction delivery day owed by the receiving Clearing Participant against the delivering Clearing Participant;b. The obligations to deliver the JGBs of the issue and in the quantity to be subsequently specified by JSCC separately as those corresponding to the amount to be paid/received on the Starting Transaction delivery day (hereinafter referred to as “Allocated JGBs”) owed by the delivering Clearing Participant against the receiving Clearing Participant;c. The obligation to pay the amount to be paid/received for Ending Transaction on the																				

Item	Description	Remarks
(3) Clearing related to Unwind and Rewind	<p>Ending Transaction delivery day owed by the delivering Clearing Participant against the receiving Clearing Participant;</p> <p>d. The obligation to deliver Allocated JGBs on the Ending Transaction delivery day owed by the receiving Clearing Participant against the delivering Clearing Participant.</p> <p>e. The obligation to pay the amount equal to the interest with respect to Allocated JGBs on the coupon payment date of Allocated JGBs which arrives between the next day of the Starting Transaction delivery day owed by the receiving Clearing Participant against the delivering Clearing Participant and the Ending Transaction delivery day.</p> <p>• At the time of the Clearing described in (2) above, the following obligations come into existence between JSCC and the Clearing Participant in respect of the transaction subject to such Clearing, wherein the obligations described in a. through d. below shall be referred to as “Unwind Obligations” and the obligations described in e. through h. below shall be referred to as “Rewind Obligations”:</p> <p>a. The obligation of the delivering Clearing Participant to pay funds to JSCC in the amount equivalent to the amount to be paid/received for Starting Transaction on each day during the period from the next day following the Starting Transaction delivery day through the day immediately preceding the Ending Transaction delivery day (excluding holidays; the same applies hereinafter);</p> <p>b. The obligation of JSCC to pay funds to the receiving Clearing Participant in the amount equivalent to the amount to be paid/received for Starting Transaction on each day during the period from the next day following the Starting Transaction delivery day through the day immediately preceding the Ending Transaction delivery day;</p> <p>c. The obligation of the receiving Clearing Participant to deliver the Allocated JGBs to JSCC on each day during the period from the next day following the Starting Transaction delivery day through the day immediately preceding the Ending Transaction delivery day;</p> <p>d. The obligation of JSCC to deliver the Allocated JGBs to the delivering Clearing Participant on each day during the period from the next day following the Starting</p>	<p>• There will be no Clearing related to Unwind and Rewind for overnight transactions.</p> <p>• The obligation to deliver the Allocated JGBs in the Clearing related to Unwind and Rewind shall be the basket based obligations before determination of issues.</p>

Item	Description	Remarks
3. Basket Netting	<p>Transaction delivery day through the day immediately preceding the Ending Transaction delivery day;</p> <p>e. The obligation of the receiving Clearing Participant to pay funds to JSCC in the amount equal to the amount to be paid/received for Starting Transaction on each day during the period from the next day following the Starting Transaction delivery day through the day immediately preceding the Ending Transaction delivery day;</p> <p>f. The obligation of JSCC to pay funds to the delivering Clearing Participant in the amount equal to the amount to be paid/received for the Starting Transaction on each day during the period from the next day following the Starting Transaction delivery day through the day immediately preceding the Ending Transaction delivery day;</p> <p>g. The obligation of the delivering Clearing Participant to deliver the Allocated JGBs to JSCC on each day during the period from the next day following the Starting Transaction delivery day through the day immediately preceding the Ending Transaction delivery day; and</p> <p>h. The obligation of JSCC to deliver the Allocated JGBs to the receiving Clearing Participant on each day during the period from the next day following the Starting Transaction delivery day through the day immediately preceding the Ending Transaction delivery day.</p> <p>• At each time of the Clearing related to Subsequent Collateral Allocation Repos and the Clearing related to Unwind and Rewind, the obligations (excluding the obligation to deliver the Allocated JGBs for which collaterals have already been determined and corresponding payment obligation) with the same basket and delivery day (referring to the day on which such obligation is to be performed) shall be netted between the obligations specified below. As a result of the netting, the following obligations shall become a single obligation between JSCC and the Clearing Participant in the amount or quantity remaining after the netting. In this case, the result of netting in a. below shall be referred to as “Starting/Rewind Obligation” and the result of netting in b. below shall be referred to</p>	

Item	Description	Remarks
4. Handling of Issues to be Allocated and Allocable Quantities	<p>as the “Ending/Unwind Obligation”:</p> <p>a. Starting Obligation and Rewind Obligation; and</p> <p>b. Ending Obligation and Unwind Obligation.</p> <ul style="list-style-type: none"> • A Clearing Participant shall submit Allocable Balance Notice [Positive List] stating the issues available for allocation and their balance by each Netting Account (or by fund, for a Netting Account that is a Trust Account) in the manner prescribed by JSCC. • Based on information stated in the Allocable Balance Notice submitted by the Clearing Participant and other information, JSCC will decide issues subject to allocation and allocable quantities. 	<ul style="list-style-type: none"> • See Annex 3 for treatment of accounts for Subsequent Collateral Allocation Repos. • The manner prescribed by JSCC shall be through Pre-Settlement Matching System of Japan Securities Depository Center, Inc. • Clearing Participant which will not become the delivering party of JGBs is not required to submit the Allocable Balance Notice. • The Allocable Balance Notice may be submitted through an agent. • See Annexes 4 and 5 for the treatment of the Allocable Balance Notice.
5. Collateral Allocation		<ul style="list-style-type: none"> • See Annex 6 for detailed collateral allocation method and illustration of collateral allocation.
(1) Matching for Collateral Allocation	<ul style="list-style-type: none"> • After the basket netting, JSCC will match up the delivering Clearing Participant and the receiving Clearing Participant for a result of the basket netting in the manner prescribed by JSCC. 	
(2) Collateral Allocation		

Item	Description	Remarks
a. Handling at 1st Collateral Allocation	<ul style="list-style-type: none"> • First collateral allocation shall cover following basket positions (referring to the claims and obligations for delivery of Allocated JGBs before collateral determination; the same applies hereinafter): <ul style="list-style-type: none"> (i) Basket position corresponding to Starting/Rewind Obligations based on 1st basket netting results of which delivery day is the current day; (ii) Basket position corresponding to Ending/Unwind Obligations based on 1st basket netting results of which delivery day is the next day. • The collateral allocation under (i) shall be determined by selecting the Allocated JGBs by each pair of delivering Clearing Participant and receiving Clearing Participant, within the scope of issues subject to allocation and allocable quantity related to 1st collateral allocation in respect of the relevant delivering Clearing Participant in the manner prescribed by JSCC. • The collateral allocation under (ii) shall be determined as the same issue and same quantity as the collateral determined under (i). The collateral allocation under (ii) shall be determined as the same issue and same quantity as the collateral determined under (i). • If, in the first collateral allocation, the allocable quantity falls short of the quantity constituting the obligations of the delivering Clearing Participant to deliver the Allocated JGBs in respect of the basket position in (i), such shortage (including the basket position under (ii) corresponding to the basket position under (i)) shall be subject to 2nd collateral allocation. 	<ul style="list-style-type: none"> • Scope of the issues to be allocated and allocable quantity for 1st collateral allocation shall be limited to the issues and quantities (quantity to be received in excess of delivering) to be received by the delivering Clearing Participant on the current day.
b. Handling at 2nd Collateral Allocation	<ul style="list-style-type: none"> • Second collateral allocation shall cover following basket positions: <ul style="list-style-type: none"> (i) Basket position corresponding to Starting/Rewind Obligations based on the 2nd basket netting results of which the current day is the delivery day; (ii) Basket position corresponding to Ending/Unwind Obligations based on the 2nd basket netting results of which the next day is the delivery day. • The collateral allocation under (i) shall be determined by selecting the Allocated JGBs by each pair of delivering Clearing Participant and receiving Clearing Participant, within the scope of issues subject to allocation and allocable quantity related to 2nd collateral 	

Item	Description	Remarks
<p>c. Handling at 3rd Collateral Allocation</p>	<p>allocation in respect of the relevant delivering Clearing Participant in the manner prescribed by JSCC.</p> <ul style="list-style-type: none"> • The collateral allocation under (ii) shall be determined as the same issue and same quantity as the collateral determined under (i). • If, in the 2nd collateral allocation, the allocable quantity falls short of the quantity constituting the obligations of the delivering Clearing Participant to deliver the Allocated JGBs in respect of the basket position in (i), such shortage (including the basket position under (ii) corresponding to the basket position under (i)) shall be subject to 3rd collateral allocation. • Third collateral allocation shall cover following basket positions: <ul style="list-style-type: none"> (i) Basket position corresponding to Starting/Rewind Obligations based on the 3rd basket netting results of which the current day is the delivery day; (ii) Basket position corresponding to Ending/Unwind Obligations based on the 3rd basket netting results of which the next day is the delivery day. • The collateral allocation under (i) shall be determined by selecting the Allocated JGBs by each pair of delivering Clearing Participant and receiving Clearing Participant, within the scope of issues subject to allocation and allocable quantity related to 3rd collateral allocation in respect of the relevant delivering Clearing Participant in the manner prescribed by JSCC. • The collateral allocation under (ii) shall be determined as the same issue and same quantity as the collateral determined under (i). • If, in the 3rd collateral allocation, the allocable quantity falls short of the quantity constituting the obligations of the delivering Clearing Participant to deliver the Allocated JGBs, the collateral allocation outside of scope of allocable quantity shall be conducted with the issues of which the balance is the largest in the Allocable Balance Notice of the relevant delivering Clearing Participant as of the 3rd collateral allocation. 	
<p>(3) Notification of</p>	<ul style="list-style-type: none"> • JSCC will notify results, etc. of the collateral allocation to the Clearing Participants in the 	<ul style="list-style-type: none"> • The manner prescribed by JSCC shall

Item	Description	Remarks
Collateral Allocation Results, etc.	manner prescribed by JSCC.	be the method through Pre-Settlement Matching System of Japan Depository Center, Inc. and through JSCC's Clearing Participants' terminal.
6. Settlement		
(1) Delivery Quantity and Settlement Amount	<ul style="list-style-type: none"> • The delivery of JGBs related to Subsequent Collateral Allocation Repos (other than the delivery deferred to next day or later date due to fail) shall be made in the method of delivering/receiving the net quantity by issue with the same settlement cutoff time. • The settlement of funds related to Subsequent Collateral Allocation Repos shall be performed through payment/receipt of funds in the amount equal to the market value of JGBs (referring to the market value determined based on the Reference Statistical Price published by Japan Securities Dealers Association) and funds in the amount equal to the delivery adjustment amount (referring to the difference between the amount to be paid/received and the market value of JGBs based on basket netting results). 	<ul style="list-style-type: none"> • The settlement of Subsequent Collateral Allocation Repos shall be processed separately from the settlement for existing JGB OTC Transaction Clearing Business (i.e., Buying and Selling / Standard Repos (Repo Transactions other than Subsequent Collateral Allocation Repos)). • Cash-secured Bond Lending Transactions and Standard Repos shall be Repo transactions. See Annex 1 for the names, etc. of the transaction types.
(2) JGB DVP Settlement	<ul style="list-style-type: none"> • Delivery/receipt of JGBs and payment/receipt of the market value of such JGBs related to Subsequent Collateral Allocation Repos shall be processed through DVP Settlement in the Bank of Japan Financial Network System (hereinafter referred to as "JGB DVP Settlement"). 	

Item	Description				Remarks
(3) Treatment of Fail	<ul style="list-style-type: none">Settlement Cutoff Time shall be as follows:				
		For 1st Collateral Allocation and Ending/Unwind	For 2nd Collateral Allocation	For 3rd Collateral Allocation	
	Settlement between Delivering Clearing Participant and JSCC	10:30 a.m.	1:30 p.m.	3:30 p.m.	
	Settlement between JSCC and Receiving Clearing Participant	11:00 a.m.	2:00 p.m.	4:00 p.m.	
	<ul style="list-style-type: none">The request for JGB DVP Settlement to Bank of Japan will be given by JSCC for both of the settlement between the delivering Clearing Participant and JSCC and the settlement between JSCC and the receiving Clearing Participant.For JGB DVP Settlement, the position shall be split into small unit so that the JGB quantity in each settlement does not exceed 5 billion yen.In the JGB DVP Settlement related to Subsequent Collateral Allocation Repos, if the settlement between the delivering Clearing Participant and JSCC has not been completed by the settlement cutoff time, such settlement and the corresponding settlement between JSCC and the receiving Clearing Participant shall be treated as fail, and the settlement shall be deferred to the following day or later.				<ul style="list-style-type: none">For the settlement under existing JGB OTC Transaction Clearing Business, the request for JGB DVP Settlement between the delivering Clearing Participant and JSCC is to be given by the delivering Clearing Participant.Same as current JGB OTC Transaction Clearing Business.Settlement Cutoff time for the settlement deferred to the following day or later related to fail is the same as Settlement Cutoff Time for 1st Collateral Allocation and

Item	Description	Remarks
(4) payment/receipt of the delivery adjustment amount	<ul style="list-style-type: none"> • Payment/receipt of funds of the delivery adjustment amount related to Subsequent Collateral Allocation Repos shall be made through current account transfer at Bank of Japan. • The paying Clearing Participant shall pay funds to JSCC by 3:30 p.m., and the receiving Clearing Participant shall receive funds from JSCC after 4:00 p.m. 	Ending/Unwind.
7. Variation Margin	<ul style="list-style-type: none"> • JSCC shall pay to/receive from Clearing Participants Variation Margin corresponding to the fluctuation of the value of unsettled obligations related to Subsequent Collateral Allocation Repos. 	<ul style="list-style-type: none"> • See Annex 7 for detailed calculation method of Required Variation Margin Amount. • The settlement of Variation Margin related to Subsequent Collateral Allocation Repos is included in the FOS settlement under existing JGB OTC Transaction Clearing Business on the day immediately following the Valuation Margin calculation day.

III. JGB OTC Clearing Business to Cover Inflation-Indexed JGBs

Item	Description	Remarks
1. Transaction subject to Clearing (1) Eligible Products and Eligible Issues	<ul style="list-style-type: none"> • Inflation-Indexed JGBs will be added as the financial instruments comprising Transaction subject to Clearing under JGB OTC Clearing Business. 	<ul style="list-style-type: none"> • Out of Inflation-Indexed JGBs, any issue up to Issue No. 16 issued in or before 2008 will be excluded from the Eligible Products subject to Clearing in

Item	Description	Remarks
(2) Transaction subject to Clearing	<ul style="list-style-type: none"> • Out of Transactions involving Inflation-Indexed JGBs, the Transactions subject to Clearing shall be Subsequent Collateral Allocation Repos transactions and those listed below a to c and satisfying the criteria set forth in the relevant items a to c: a. Buying and Selling <ul style="list-style-type: none"> (a) The settlement day arrives on or before the day immediately preceding the corresponding day after one (1) month from the contract day; (b) The quantity is hundred thousand (100,000) yen face value multiplied by a whole number; and (c) The Indexation Coefficient of the settlement day has been fixed. b. Cash-secured Bond Lending Transaction <ul style="list-style-type: none"> (a) The Ending Transaction delivery day arrives on or before the corresponding day after one (1) year from the contract day; (b) The quantity is hundred thousand (100,000) yen face value multiplied by a whole number; (c) The Indexation Coefficient of the Starting Transaction delivery day has been fixed; (d) The Ending Transaction delivery day has been fixed; and (e) The standard cash collateral rate is one hundred (100) percent. c. Repo Transaction <ul style="list-style-type: none"> (a) The Ending Transaction delivery day arrives on or before the corresponding day after one (1) year from the contract day; 	<p>light of difference in product features and maturity (to be redeemed by June 2018) from Issue No. 17 and subsequent issues.</p> <ul style="list-style-type: none"> • See II. for Subsequent Collateral Allocation Repos transactions. • See Annex 8 for clearing start timing for newly issued bonds in light of the criteria listed on the left column in relation to Inflation-Indexed JGBs. • The Indexation Coefficient of the Ending Transaction delivery day is not required to be fixed. • The Indexation Coefficient of the Ending Transaction delivery day is not

Item	Description	Remarks
	<ul style="list-style-type: none"> (b) The quantity is hundred thousand (100,000) yen face value multiplied by a whole number; (c) The Indexation Coefficient of the Starting Transaction delivery day has been fixed; (d) The Ending Transaction delivery day has been fixed; (e) The transaction is Repo Transaction with accrued interest (f) The transaction does not involve re-pricing; and (g) Ratio of calculating the selling and buying amount is zero (0). 	required to be fixed.
2. Assumption of Obligation	<ul style="list-style-type: none"> • As to transactions involving Inflation-Indexed JGBs, only the Clearing Participants who have selected either of the fee rate types involving Inflation-Indexed JGBs may apply for an assumption of obligations. • The application for assumption of obligations, matters to be stated, the application cutoff time and the timing of an assumption of obligation shall be the same as those applied to other JGBs. 	<ul style="list-style-type: none"> • No specific classification of Clearing Qualification for handling Inflation-Indexed JGBs will be established. • See Annex 18 for fees relating to Inflation-Indexed JGBs.
3. Settlement	<ul style="list-style-type: none"> • The settlement related to Inflation-Indexed JGBs shall be performed by the payment and receipt of money for the market value of the Inflation-Indexed JGBs (hereinafter referred to as “DVP Settlement Amount”) and the payment and receipt of money for delivery adjustment amount. • The calculation method of DVP Settlement Amount for Inflation-Indexed JGBs shall be the same as those applied to other JGBs; provided, however, that when calculating such amount, notional principal value shall be used in lieu of face value used when calculating DVP Settlement Amount for other JGBs. • The calculation method of FOS Settlement Amount for Inflation-Indexed JGBs shall be the same as those applied to other JGBs; provided, however, that, when calculating each component of FOS, notional principal value shall be used in lieu of face value used when 	<ul style="list-style-type: none"> • See Annex 9 and 10 for specified handling procedures. • See Annex 9 and 11 for specified handling procedures.

Item	Description	Remarks
4. Variation Margin	<p>calculating FOS Settlement Amount for other JGBs, as necessary.</p> <ul style="list-style-type: none"> • Variation Margin calculation method shall be the same as those applied to other JGBs; provided, however, that when calculating the market value of Inflation-Indexed JGBs, notional principal value shall be used in lieu of face value used when calculating market value of other JGBs. 	<ul style="list-style-type: none"> • See Annex 9 and 12 for specified handling procedures.
5. Initial Margin	<ul style="list-style-type: none"> • The calculation method of Required Initial Margin Amount related to Inflation-Indexed JGBs shall be the same as those applied to other JGBs, except for the followings; <ul style="list-style-type: none"> a. Treatment of Indexation Coefficient <ul style="list-style-type: none"> (a) Risk of fluctuation of Indexation Coefficient shall be taken into account when calculating Initial Margin Amount to Cover Market Fluctuation Risk related to Inflation-Indexed JGBs. (b) When calculating Initial Margin Amount to Cover Repo Rate Fluctuation Risk and Market Impact Charge, notional principal value shall be used in lieu of face value used for calculation of the said amount for other JGBs. b. Establishment of New Setoff Category <ul style="list-style-type: none"> (a) Separate setoff category from other JGBs shall be newly established for Inflation-Indexed JGBs. 	<ul style="list-style-type: none"> • See Annex 14 for specified handling procedures. • See Annex 9 and 14 for specified handling procedures. • See Annex 14 for specified handling procedures.
6. Clearing Fund	<ul style="list-style-type: none"> • New stress scenario covering Inflation-Indexed JGBs will be generated. 	<ul style="list-style-type: none"> • See Annex 14 for specified stress scenario generation.
7. Handling of Substituting JGBs	<ul style="list-style-type: none"> • A deposit of Inflation-Indexed JGBs as substituting JGBs is allowed; provided, however, that Clearing Participants allowed to deposit Inflation-Indexed JGBs as substituting JGBs shall be those who have selected fee rate type involving Inflation-Indexed JGBs. • Calculation method for the market value of Inflation-Indexed JGBs deposited as substituting JGBs shall be the same as that applied to other JGBs; provided, however, that, 	<ul style="list-style-type: none"> • Issues excluded from Eligible Products subject to Clearing (up to Issue No. 16) are not allowed to be deposited as substituting JGBs. • See Annex 9 and 13 for specified

Item	Description	Remarks
8. Scheme for Managing Settlement of Default	<p>when calculating such market value, the notional principal value shall be used in lieu of face value used for other JGBs.</p> <ul style="list-style-type: none"> • Necessary revisions will be made to take into account the treatment of Inflation-Indexed JGBs in the auction for default settlement at the time of Clearing Participant default. 	<p>handling procedures.</p> <ul style="list-style-type: none"> • By covering Inflation-Indexed JGBs for clearing, there may be a case where Inflation-Indexed JGBs will be used in the obligated fund provision at the time of settlement default, etc. So, it is necessary for all Clearing Participants to be ready for responding to obligated fund provision using Inflation-Indexed JGBs. • Parties to participate in the First Step Auction for Default Settlement should make efforts to be able to participate in the auction for default settlement covering Inflation-Indexed JGBs, including transactions for which Indexation Coefficient of the Ending Transaction delivery day has not been fixed.

IV. Other Framework Revisions associated with shortening of the settlement cycle and to cover Inflation-Indexed JGBs

Item	Description	Remarks
1. Change of Basis of Regular Transfer Day	<ul style="list-style-type: none"> • Basis of “Regular Transfer Day” used for calculation of appraisal value of Japanese Government Bonds and Variation Margin will be changed from T+2 to T+1. 	<ul style="list-style-type: none"> • Same treatment as shortening of settlement cycle implemented in April

Item	Description	Remarks
2. Revision of Type of Netting Accounts	<ul style="list-style-type: none"> To enable calculation of Required Initial Margin Amount according to type of Transaction subject to Clearing, netting accounts will be classified into following 3 types, and Transactions subject to Clearing to be booked on each of such account types will be as specified below <ol style="list-style-type: none"> Ordinary Account: All Transactions subject to Clearing; Repo Transactions Only Account: Standard Repos (other than those JSCC clears Ending Transactions only) and Subsequent Collateral Allocation Repos; Subsequent Collateral Allocation Repos Only Account; Subsequent Collateral Allocation Repos For netting accounts to be opened at JSCC, a Clearing Participant shall indicate the type of the netting account, namely, Ordinary Account, Repo Transactions Only Account or Subsequent Collateral Allocation Repos Only Account. 	<p>2012 (change of outright to T+2).</p> <ul style="list-style-type: none"> A clearing participant may create an Initial Margin Group only as a combination of netting accounts classified as same type.
3. Revision of Initial Margin	<ul style="list-style-type: none"> As timing and profile of intraday change in risks will change in association with an introduction of Subsequent Collateral Allocation Repos, framework of Initial Margin etc. will be revised as follows: <ol style="list-style-type: none"> Frequency of daily Initial Margin requirement calculation and deposit will be changed from once a day to 3 times a day; For various components of Initial Margin requirement, calculation method will be revised to the one based on features of Subsequent Collateral Allocation Repos; Frequency of update of required clearing fund will be changed from weekly to daily; and Other necessary revisions will be made. 	<ul style="list-style-type: none"> See Annex 14 for details of revisions of Initial Margin etc.
4. Revision of Scheme for Managing Settlement	<ul style="list-style-type: none"> Necessary revisions such as introduction of basket auction which processes the position of Subsequent Collateral Allocation Repos in the auction for default settlement at the time of 	<ul style="list-style-type: none"> See Annex 15 for details of revisions of Default Auction.

Item	Description	Remarks
of Default	<p>Clearing Participant default will be made.</p> <ul style="list-style-type: none"> JSCC will add the transactions agreed through the default auction at the time of Clearing Participant default to the amounts subject to calculation. <ul style="list-style-type: none"> Amount of Variation Margin Balance Management Fee, Fee related to Collateral Allocation and DVP Settlement Fee 	<ul style="list-style-type: none"> Currently, transactions agreed through the default auction are subject to calculation of required initial margin.
5. Revision of Obligated Fund Provision	<ul style="list-style-type: none"> As timing and profile of intraday change in risks will change in association with an introduction of Subsequent Collateral Allocation Repos, necessary revisions will be made for Obligated Fund Provision. 	<ul style="list-style-type: none"> See Annex 16 for details of revisions of Obligated Fund Provision.
6. Revision of transaction type relating to Repos with JSCC	<ul style="list-style-type: none"> Type of Repos between JSCC and clearing participants arising as a result of Default Auction and Obligated Fund Provision will be changed from Cash-secured Bond Lending Transactions to Repo Transactions. 	<ul style="list-style-type: none"> JSCC will execute master agreement in respect of Repo Transactions of bonds, etc. with all Clearing Participants before the launch of the scheme.
7. Revision of Fees	<ul style="list-style-type: none"> Fee structure will be revised as follows. <ul style="list-style-type: none"> Collateral allocation fee will be newly charged; Maximum amount of fee will be abolished, and step-down fee rate will be adopted for Obligation Assumption Fee, Balance Management Fee and Fee related to Collateral Allocation wherein fee rate will be decreased in phase according to increase of trading volume; As to Obligation Assumption Fee and Collateral Allocation Fee, two types of combination of the fixed charge and metered rate related to Inflation-Indexed JGBs will be set and Clearing Participants may select from either combination of the fee rate types. Other necessary revisions will be made. 	<ul style="list-style-type: none"> See Annex 17 and 18 for details of fee revisions. Outlook for usage by Clearing Participants and forecast for receipts and payments will be re-confirmed before implementation of Shortening of Settlement Cycle and Coverage of Inflation-Indexed JGB, and fee rate, etc. will be adjusted, as necessary.

Item	Description	Remarks
8. Other	<ul style="list-style-type: none"> Other necessary amendments associated with revision of the frameworks will be made. 	

V. Implementation Timing

- These revisions will be implemented aimed at the implementation date of Shortening of Japanese Government Bonds Settlement Cycle (scheduled at May 1, 2018).

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Outline of Subsequent Collateral Allocation Repos

- While issues and settlement amounts are fixed at the time of execution under Standard Repos, Subsequent Collateral Allocation Repos is a transaction methodology wherein the funds settlement amount and basket (a group of multiple issues) are fixed at the time of execution and, then, the individual issues are allocated by a third party organization from the inventory of JGB deliverer just before the settlement of Starting Transaction.

■ Major Difference between Standard Repos and Subsequent Collateral Allocation Repos

	Standard Repos	Subsequent Collateral Allocation Repos
Collateral upon Execution	Individual Issue	Basket (individual issues to be determined later)
Settlement Amount Determination Method	Calculated from quantity and market value of contracted individual issue	To be agreed between parties at the time of execution
Party to Allocate Collateral	Trading Party who becomes JGB deliverer	Third Party Organization (JSCC)
Party to Send Settlement Instruction to Bank of Japan	Trading Party who becomes JGB deliverer	Third Party Organization (JSCC)

■ Type and Subject of Transaction

Type of Transaction			Subject Transaction
Buying and Selling			Individual Issues
Repos	Standard Repos	Cash-secured Bond Lending Transactions	
		Repo Transactions	
	Subsequent Collateral Allocation Repos	Subsequent Collateral Allocation Repo Transactions	Basket

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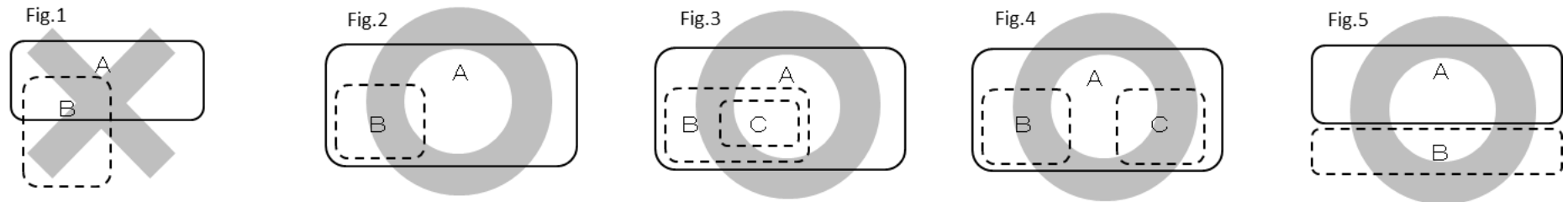
Baskets for Subsequent Collateral Allocation Repos

- Details of the Baskets for Subsequent Collateral Allocation Repos are as follows.

	Issue Name	Issue Short Name	Issue Code	Type / Limitation by Term to Maturity of Covered JGBs
①	JGB Basket (Treasury Discount Bills)	JGBB-TDB	JP1991019009 01010099	Treasury Discount Bills
②	JGB Basket (Interest-bearing Bonds with term to maturity of less than 10 years, Treasury Discount Bills)	JGBB-U10	JP1991039007 01030099	Interest-bearing (2 years), Interest-bearing (5 years), Interest-bearing (10 years), Interest-bearing (20 years) /Term to Maturity less than 10 years, Interest-bearing (30 years) /Term to Maturity less than 10 years, Interest-bearing (40 years) /Term to Maturity less than 10 years, Treasury Discount Bills
③	JGB Basket (Interest-bearing Bonds, Treasury Discount Bills)	JGBB-Fixed	JP1991059005 01050099	Interest-bearing (2 years), Interest-bearing (5 years), Interest-bearing (10 years), Interest-bearing (20 years), Interest-bearing (30 years), Interest-bearing (40 years), Treasury Discount Bills
④	JGB Basket (Interest-bearing Bonds, Floating-rate Bonds, Treasury Discount Bills)	JGBB-Large	JP1991079003 01070099	Interest-bearing (Floating Rate/15 years) Interest-bearing (2 years), Interest-bearing (5 years), Interest-bearing (10 years), Interest-bearing (20 years), Interest-bearing (30 years), Interest-bearing (40 years), Treasury Discount Bills
⑤	JGB Basket (Inflation-Indexed Bonds, Interest-bearing Bonds, Floating-rate Bonds, Treasury Discount Bills)	JGBB-All	JP1991099001 01090099	Inflation-Indexed (10 years), Interest-bearing (Floating Rate/15 years), Interest-bearing (2 years), Interest-bearing (5 years), Interest-bearing (10 years), Interest-bearing (20 years), Interest-bearing (30 years), Interest-bearing (40 years), Treasury Discount Bills
⑥	JGB Basket (Principal-only Book-entry Transfer JGBs, Coupon-only Book-entry Transfer JGBs)	JGBB-Strips	JP1992019008 02010099	Principal-only Book-entry Transfer JGBs, Coupon-only Book-entry Transfer JGBs

(Notes)

1. Code example shown in the first line on Issue Code column represents an example for ISIN and in the second line represents an example for Bond Issue Code (domestic code)
2. Parentheses of Issue Name and Issue Short Name are in half size.
3. With respect to the type of JGBs, limitation on term to maturity by each type of JGBs is allowed to be set. Term to Maturity less than 10 years in the limitation on terms limits the issues with which the maturity arrives on or before the corresponding day after ten (10) year from the allocation day (holidays will not be excluded. In case the corresponding day does not exist, it should be the last day of the corresponding month).
4. For each Basket, it will be allowed to cover specific issue of which type of JGB is not listed or to exclude specific issue of listed type of JGBs.
5. No basket, whose component issues partially overlap with another basket (Fig. 1 below), shall be established. A basket, all of whose component issues comprise a part of another basket (Figs. 2 through 4) or whose component issues do not overlap with any other basket at all, may be established (Fig. 5).



End of Document

Treatment of Account in Subsequent Collateral Allocation Repos

1. Settlement Account

- An account for settlement of JGB in respect of each Netting Account shall be the same as the settlement account used for current JGB OTC Transaction Clearing Business.
 - The settlement account shall be one account per Netting Account (it is possible to designate separate accounts for receiving JGBs and delivering JGBs).
 - For the settlement accounts, besides Participant Account of the Clearing Participant itself, it is possible to designate Participant Account of other participants of JGB Book-entry Transfer System (when performing settlement through an agent).

2. Treatment of Allocable Balance Notice

- A Clearing Participant will prepare and submit to JSCC an Allocable Balance Notice specifying the allocable issues and their balance available for each Netting Account (or for each fund in respect of a Netting Account that is a Trust Account).
 - No need to submit Allocable Balance Notice, when the relevant Netting Account will not become a delivering party.
 - An Allocable Balance Notice may be submitted through an agent.

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1. Illustration of Netting Accounts of Clearing Participant Holding Multiple Netting Accounts

< Example: When Bank Clearing Participant Opens two Netting Accounts >

Master Information		Allocable Balance Notice to be Prepared/Submitted at each Allocation Cycle
Netting Account	Settlement Account at Bank of Japan	
●● Bank (Investment Account)	●● Bank Standard Settlement Account (00)	Allocable Balance Notice (for Investment Account)
●● Bank (Trading Account)	●● Bank Standard Settlement Account (00)	Allocable Balance Notice (for Trading Account)

< Points of Attention >

- ✓ A Clearing Participant may open multiple Netting Accounts.
- ✓ Allocable Balance Notice shall be submitted by each Netting Account.

2. Illustration of Netting Accounts of Trust Bank

< Example: When Trust Bank Clearing Participant Opens Multiple Netting Accounts (Proprietary and Trust Accounts (Multiple)) >

Master Information			Fund	Allocable Balance Notice to be Prepared/Submitted at each Allocation Cycle
Netting Account	Settlement Account at Bank of Japan			
	JGB Deliver	JGB Receive		
■■ Trust (Proprietary)	■■ Trust Standard Settlement Account (00)		—	Allocable Balance Notice (for Proprietary Account)
■■ Trust (Trust Account 1)	■■ Trust Trust Account 1 (01)	■■ Trust Trust Account 1 (01)	Fund ①	Allocable Balance Notice (for Fund ①)
			Fund ②	Allocable Balance Notice (for Fund ②)
■■ Trust (Trust Account 2)	■■ Trust Trust Account 1 (01)	■■ Trust Standard Settlement Account (00)	Fund ③	Allocable Balance Notice (for Fund ③)
			Fund ④	Allocable Balance Notice (for Fund ④)
■■ Trust (Trust Account 3)	■■ Trust Standard Settlement Account (00)	■■ Trust Standard Settlement Account (00)	Fund ⑤	Allocable Balance Notice (for Fund ⑤)

< Points of Attention >

- ✓ A Clearing Participant may open multiple Netting Accounts.
- ✓ For settlement account at Bank of Japan, it is possible to designated separate accounts for delivering JGBs and receiving JGBs.
- ✓ For settlement account at Bank of Japan, it is possible to designate trust accounts other than Trust Account 1 (01).
- ✓ For a Netting Account that is a Trust Account, Allocable Balance Notice shall be submitted by each fund.
- ✓ Basket netting, Collateral Allocation, Issue netting and JGB DVP Settlement in respect of a Netting Account that is a Trust Account are conducted by fund.

3. Illustration of Netting Accounts for Clearing Participant Using Agent for Contract Reconciliation and Settlement

< Example: When Securities Firm Clearing Participant Performing Settlement through Agent >

Master Information				Allocable Balance Notice to be Prepared/Submitted at each Allocation Cycle
Netting Account	Party Submitting Trade Report Data	Settlement Account at Bank of Japan	Party Submitting Allocable Balance Notice	
○○ Securities * Outsourcer	○○ Securities * Outsourcer	Standard Settlement Account of Agent (00)	○○ Securities * Outsourcer	Allocable Balance Notice

Master Information				Allocable Balance Notice to be Prepared/Submitted at each Allocation Cycle
Netting Account	Party Submitting Trade Report Data	Settlement Account at Bank of Japan	Party Submitting Allocable Balance Notice	
△△ Securities * Outsourcer	△△ Securities * Outsourcer	Standard Settlement Account of Agent (00)	Agent	Allocable Balance Notice (for △△ Securities)

< Example: When Securities Firm Clearing Participant Uses Agent for Contract Reconciliation and Settlement >

Master Information				Allocable Balance Notice to be Prepared/Submitted at each Allocation Cycle
Netting Account	Party Submitting Trade Report Data	Settlement Account at Bank of Japan	Party Submitting Allocable Balance Notice	
□□ Securities * Outsourcer	Agent	Standard Settlement Account of Agent (00)	Agent	Allocable Balance Notice (for □□ Securities)

< Points of Attention >

- ✓ For settlement account at Bank of Japan, besides Participant Account of the Clearing Participant itself, it is possible to designate Participant Account of other participants of JGB Book-entry Transfer System.
- ✓ A Clearing Participant performing the settlement through an agent may submit Allocable Balance Notice through an agent.
- ✓ The agent shall prepare and submit its own Allocable Balance Notice and those for its outsourcer.

4. Illustration of Netting Accounts of JGB OTC Transaction Agency Clearing Participant

< Example: When Securities Firm Clearing Participant Accepts Commission of Brokerage for Clearing from Multiple Customers >

Master Information				Allocable Balance Notice to be Prepared/Submitted at each Allocation Cycle
Netting Account	Party Submitting Trade Report Data	Settlement Account at Bank of Japan	Party Submitting Allocable Balance Notice	
●● Securities (Proprietary)	●● Securities *Clearing Participant	●● Securities Standard Settlement Account (00)	●● Securities *Clearing Participant	Allocable Balance Notice (for Proprietary Account)
●● Securities (Clearing Brokerage Account 01)	●● Securities *Clearing Participant	●● Securities Standard Settlement Account (00)	●● Securities *Clearing Participant	Allocable Balance Notice (for Clearing Brokerage Account 01)
●● Securities (Clearing Brokerage Account 02)	●● Securities *Clearing Participant	●● Securities Standard Settlement Account (00)	●● Securities *Clearing Participant	Allocable Balance Notice (for Clearing Brokerage Account 02)
●● Securities (Clearing Brokerage Account 03)	●● Securities *Clearing Participant	●● Securities Standard Settlement Account (00)	●● Securities *Clearing Participant	Allocable Balance Notice (for Clearing Brokerage Account 03)

< Points of Attention >

- ✓ JGB OTC Transaction Agency Clearing Participant may accept commission of Brokerage for Clearing from multiple customers.
- ✓ A Clearing Participant accepting commission of Brokerage for Clearing shall open a Netting Account for each customer.
- ✓ A Clearing Participant accepting commission of Brokerage for Clearing shall prepare and submit Allocable Balance Notice by each Netting Account.

Handling of Allocable Balance Notice in Subsequent Collateral Allocation Repos

- Upon allocation of collateral, JSCC will utilize Allocable Balance Notice received from the Clearing Participant at the latest as of the time designated by JSCC (see below chart).
- A Clearing Participant may submit Allocable Balance Notice as many times as it desires.

Collateral Allocation	Time Designated by JSCC	Points of Attention
1st	9:00 p.m. on previous day	<ul style="list-style-type: none"> • When preparing Allocable Balance Notice, balance of issues to be used for Subsequent Collateral Allocation Repos of the allocation date out of JGBs to be received in respect of Subsequent Collateral Allocation Repos on the allocation date^{*1} will be included (it will be an estimated balance because Allocable Balance Notice is to be submitted a day before the allocation date).
2nd	11:00 a.m. on current day	<ul style="list-style-type: none"> • Upon receipt of previous allocation result, Clearing Participant will be required to reflect (reduce balance of) issues allocated (used) at previous collateral allocation, and, if any contract which requires change to estimated balance is executed after submission of previous Allocable Balance Notice, reflect such change as necessary, and re-submit Allocable Balance Notice. • From a viewpoint of prevention of Fail occurrence in Subsequent Collateral Allocation Repos associated with Fail of bonds scheduled to be received on the current day, Clearing Participants are required to take measures to avoid un-received balance being included in Allocable Balance Notice, such as reconciliation against actual balance at Bank of Japan (balance taking account of progress of actual settlement)^{*2*3}.
3rd	2:00 p.m. on current day	Same as above ^{*4}

^{*1} JGBs scheduled to be received from JSCC on the current day as a result of the collateral allocation on the previous day (JGBs allocated in relation to the basket position corresponding to Ending/Unwind Obligations).

^{*2} Procedures that will not require reconciliation against actual balance at Bank of Japan can be envisaged, for example, excluding bonds scheduled to be received on the current day from Allocable Balance Notice or managing balance for Subsequent Collateral Allocation Repos and balance for other purposes separately, and then preparing Allocable Balance Notice.

- *3 As of 11:00 a.m., it is expected that settlements of transactions other than Subsequent Collateral Allocation Repos have proceeded to some extent. Moreover, as of 2:00 p.m., it is expected that settlements of transactions other than Subsequent Collateral Allocation Repos have mostly completed.
- *4 If a balance shortfall is expected to occur due to determination of Fail, reducing net position which requires allocation by executing offsetting transaction of the same basket can be a choice. Moreover, depending upon situation, measures of reducing Fail possibility by inclusion of issues with high probability of receipt or high probability of obtaining externally among un-received issues for the day into the 3rd Allocable Balance Notice can be a choice.

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Allocable Issues and Allocable Quantities in Collateral Allocation

- Based on information contained in Allocable Balance Notice submitted by a Clearing Participant and other information, JSCC will decide Collateral subject to Allocation and calculate allocable balance to be used for Collateral Allocation by each Netting Account which will be a JGB deliverer.
- Determination of Issues subject to Allocation and calculation of allocable quantities are made in the following manner:

Collateral Allocation	Issue subject to Allocation used for Collateral Allocation	Allocable Quantity	Points of Attention
1st	<ul style="list-style-type: none"> • Issues that are contained in Allocable Balance Notice and to be received on the allocation date in relation to Subsequent Collateral Allocation Repos* 	<ul style="list-style-type: none"> • By Issue subject to Allocation to be used for Collateral Allocation, lesser of: <ul style="list-style-type: none"> ① Balance stated in Allocable Balance Notice; and ② Quantity of JGBs scheduled to be received on the allocation date in relation to Subsequent Collateral Allocation Repos 	<ul style="list-style-type: none"> • When preparing Allocable Balance Notice, Clearing Participant delivering JGBs needs to include balance to be used for Subsequent Collateral Allocation Repos on the allocation date among issues of JGBs to be received on the allocation date in relation to Subsequent Collateral Allocation Repos.
2nd and 3rd	<ul style="list-style-type: none"> • Issues contained in Allocable Balance Notice 	<ul style="list-style-type: none"> • Balance stated in Allocable Balance Notice 	

* JGBs scheduled to be received from JSCC on the current day as a result of the collateral allocation on the previous day (JGBs allocated in relation to the basket position corresponding to Ending/Unwind Obligations).

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Collateral Allocation Rules for Subsequent Collateral Allocation Repos

Item	Description	Remarks
1. Matching Process for Collateral Allocation	<ul style="list-style-type: none"> As to basket position corresponding to Starting/Rewind Obligations, a delivering Clearing Participant and a receiving Clearing Participant will be matched so that the settlement amount of the Clearing Participant delivering JGBs to JSCC and that of the Clearing Participant receiving JGBs from JSCC will match. In 1st Collateral Allocation, the same deliverer-receiver pair as the pair set at previous day's Collateral Allocation will be matched preferentially. In this process, if settlement amount for Starting/Rewind Obligations are different between delivering Clearing Participant and receiving Clearing Participant, position of the party with larger settlement amount will be split so that a pair with the same settlement amount is set. This matching method is referred to as "Preferential Matching." For setting pairs with respect to quantity remaining after setting Preferential Matching in 1st Collateral Allocation and setting pairs in 2nd and 3rd Collateral Allocation, an order is set in a random manner in respect of receiving Clearing Participants in respect of the issue, and delivering Clearing Participants and receiving Clearing Participants are matched in the order so set. If the settlement amount does not match, then the larger amount will be split so that a pair with the same settlement amount is set. This method is referred to as "Random Matching." 	<ul style="list-style-type: none"> See Appendix 1 for example of matching delivering Clearing Participant and receiving Clearing Participant
2. Method of Determination of Allocation Quantity by Issue	<ul style="list-style-type: none"> For each pair set in 1. above, allocation quantities are determined in such manner that market value of the allocated JGBs will be equal to or more than, and closest to, the settlement amount related to Starting/Rewind Obligations. Specifically, collateral to be allocated are determined according to the order among issues and the order among positions subject to allocation set forth in 3. below, and the quantity with which the market value of the allocated JGB becomes equal to or more than the settlement amount for Starting/Rewind Obligations related to each 	<ul style="list-style-type: none"> Market value of the allocated JGBs will be obtained by reference to Reference Statistical Price (in actual operation, JSCC will apply the "unit price with accrued interest" obtained by adding accrued interest up to the allocation date). Indexation Coefficient shall

Item	Description	Remarks
<p>3. Collateral Allocation Order in 1st Collateral Allocation</p> <p>(1) Order Among Issues</p> <p>a. Collateral Allocation through Preferential Matching</p> <p>b. Collateral Allocation through Random Matching</p> <p>(2) Order among Positions</p> <p>a. Order among Baskets</p>	<p>position subject to allocation will be the allocation quantity.</p> <ul style="list-style-type: none"> The collateral and quantity scheduled to be received as allocated JGBs in relation to the basket position corresponding to Ending/Unwind Obligations at the previous day's Collateral Allocation shall be allocated within the scope of issue and quantity stated in Allocable Balance Notice. Issues and quantities of JGBs scheduled to be received on the current day remaining after allocation in a. above shall be allocated within the scope of remaining quantity. As to portion of the position subject to allocation equal to or more than 5 billion yen, issues will be allocated by face value of 5 billion yen in the order from the issue with the largest balance on Allocable Balance Notice; provided that, if remaining quantity is less than 5 billion yen for all issues, remaining quantity of each issue shall be allocated from the issue with the largest balance on Allocable Balance Notice. As to portion of the position subject to allocation less than 5 billion yen, the portion less than face value of 5 billion yen of each issue shall be allocated in order from the issue with the largest balance on Allocable Balance Notice; provided that, if there is no portion less than 5 billion yen in remaining quantity of all issues, the portion of face value equal to or more than 5 billion yen will be used for allocation in order from the issue with the largest balance on Allocable Balance Notice. For multiple baskets containing the same covered JGBs, Collateral Allocation for a 	<p>be taken into account in calculation of Market Value of Inflation-Indexed JGB.</p> <ul style="list-style-type: none"> See Appendix 2 See Appendix 3

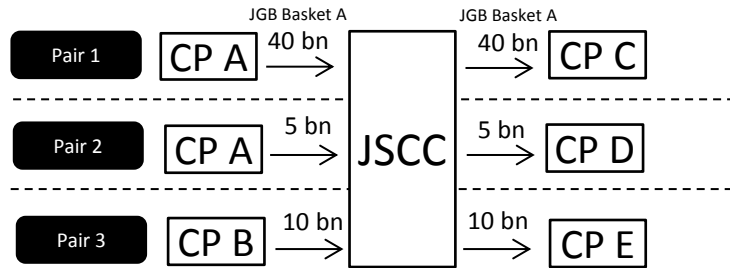
Item	Description	Remarks
b. Order among Positions	<p>basket with lesser covered JGBs will be made first, and then Collateral Allocation for a basket with more covered JGBs will be made.</p> <ul style="list-style-type: none"> For positions with the same priority in a. and b. above, allocation shall be made in the order of the settlement amount (if position of JGB delivering party is split in the matching process for Collateral Allocation, the settlement amount after allocation shall apply) from the largest settlement amount (position with larger settlement amount shall have priority). 	
4. Collateral Allocation Order in 2nd and 3rd Collateral Allocation		
(1) Order among Issues	<ul style="list-style-type: none"> Same as 3. (1) b. 	<ul style="list-style-type: none"> It shall be the same for all basket positions subject to 2nd and 3rd Collateral Allocation.
(2) Order among Positions subject to Allocation	<ul style="list-style-type: none"> Same as the order in 1st Collateral Allocation. 	
5. Issues Excluded from Collateral Allocation	<ul style="list-style-type: none"> Issues with respect to which the redemption date falls on the next business day following the date of Collateral Allocation shall be excluded from Issues subject to Allocation. For 2nd and 3rd Collateral Allocations, issues with respect to which the coupon payment date falls on the next business day following the date of Collateral Allocation shall be excluded from Issues subject to Allocation. 	<ul style="list-style-type: none"> Upon receipt of Allocable Balance Notice, error notice shall be returned to exclude the relevant issue.

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Illustration of Deliverer-Receiver Matching Process for Collateral Allocation

1. Illustration of Preferential Matching Process (1st collateral Allocation)

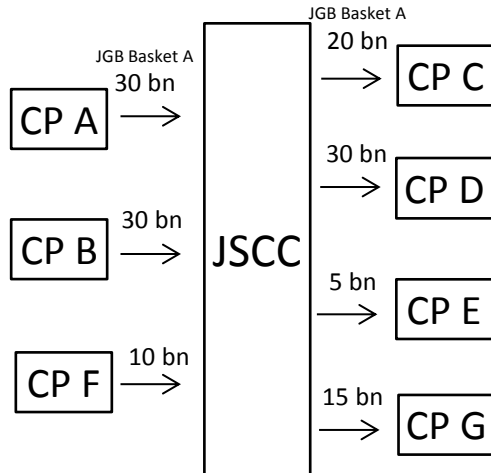
【Pairs for Previous Day's Collateral Allocation】



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① Current Day's Basket Netting Results

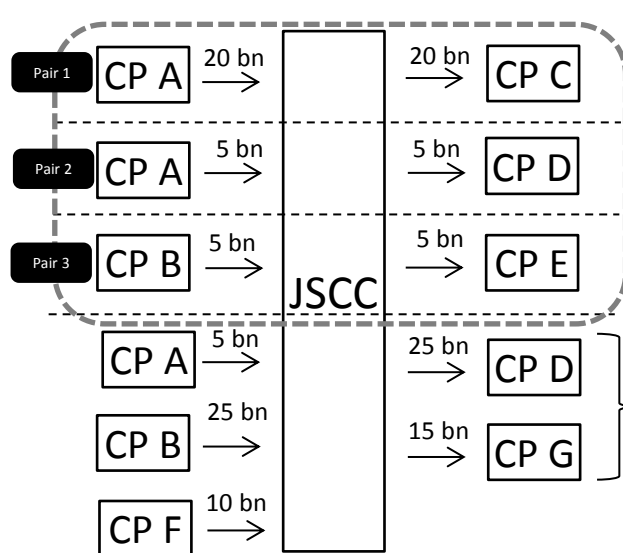
Assuming, as a result of Basket Netting, Clearing Participants A, B, F will be deliverers and Clearing Participants C, D, E, G will be receivers of JGB (JGB Basket A) in respect of Starting/Rewind Obligations. (Settlement amounts are as shown below.)



* CP A thru G: Clearing Participants
* Funds flow not shown

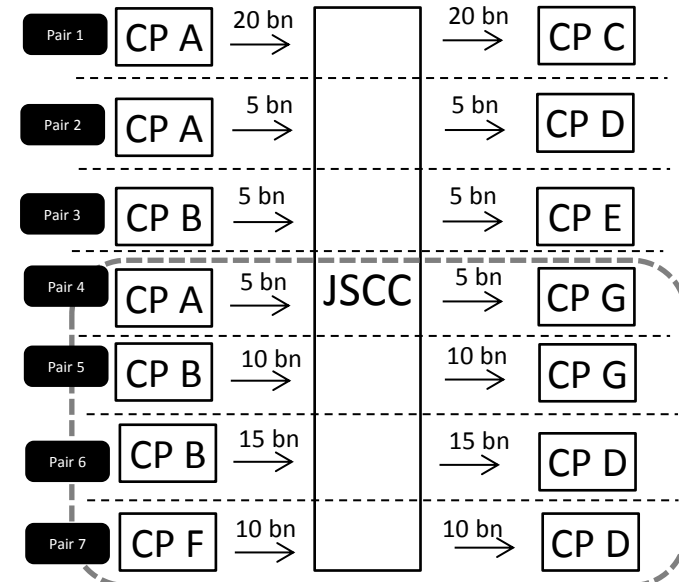
② Preferentially Match Previous Day's Pairs

Match same pairs as those set for previous day's Collateral Allocation preferentially. In this process, if settlement amount does not match, smaller settlement amount shall be the settlement amount for the pair. (Process in dotted box below.)



③ Randomly Matching Remaining Portion

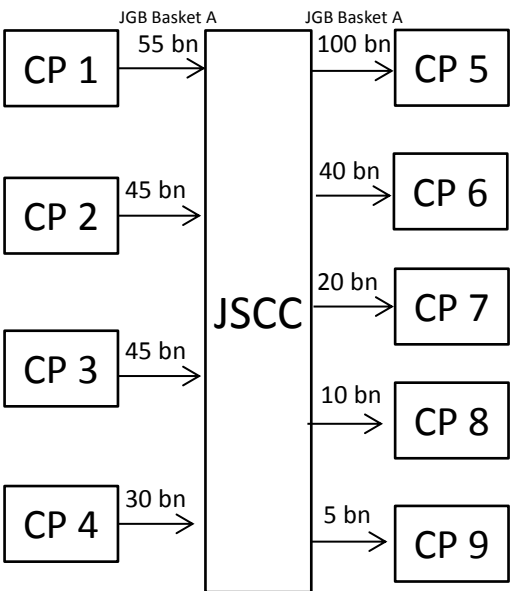
As to positions for which pairs are not determined through process in ②, Randomly determine pairs based on "2. Random Matching Process (see next page)." (Process in dotted box below)



2. Illustration of Random Matching Process

① Basket Netting Results

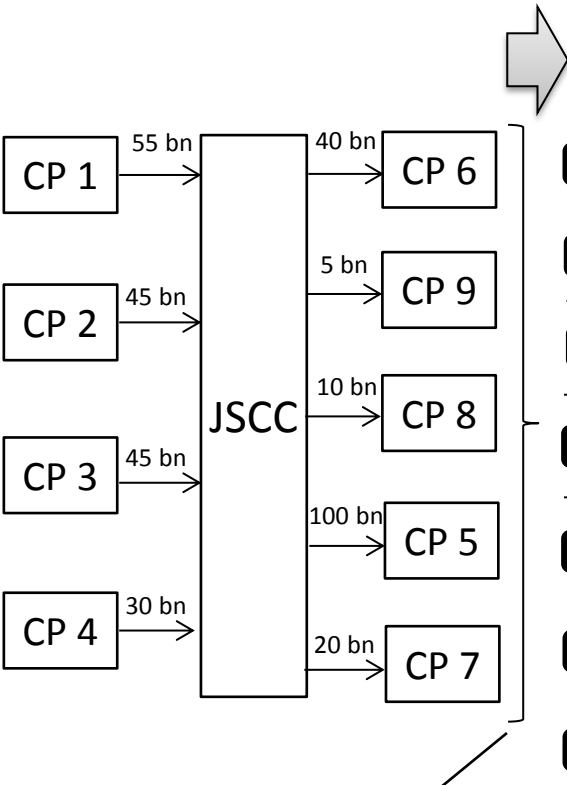
Assuming, as a result of Basket Netting, Clearing Participants 1 thru 4 will be deliverers and Clearing Participants 5 thru 9 will be receivers of JGB (JGB Basket A) in respect of Starting/Rewind Obligations. (Settlement amounts are as shown below.)



* CP 1 thru 9: Clearing Participants
* Funds flow is not shown

② Randomly Decide Order of Receiving Clearing Participant

List receiver in a random order.



List in random order

③ Decide Pairs for Collateral Allocation

Match up deliverers and receivers so that settlement amount matches. In this process position may be split as necessary. In following example, Pairs 1 thru 7 are decided.

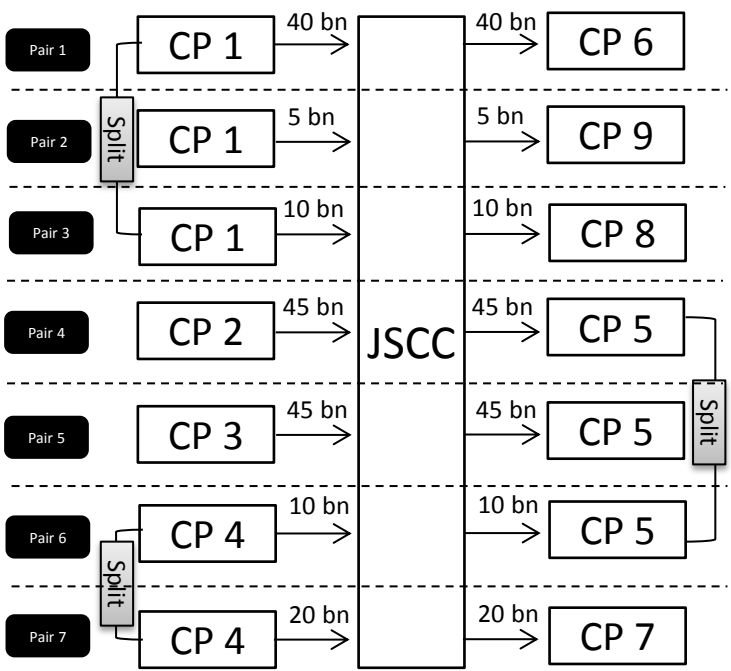


Illustration of Order among Issues in Collateral Allocation

< Contents of Clearing Participant A's Allocable Balance Notice >

(in 100 million yen)

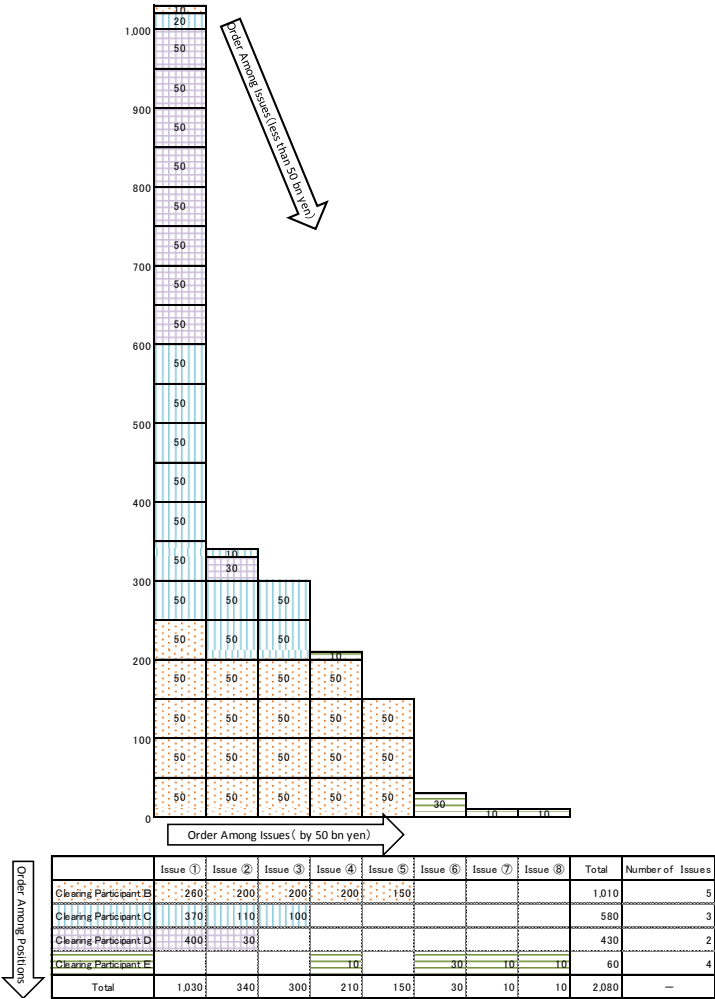
	Issue ①	Issue ②	Issue ③	Issue ④	Issue ⑤	Issue ⑥	Issue ⑦	Issue ⑧	Total
Quantity	1,030	340	300	210	150	30	10	10	2,080

< Trade Details >

(in 100 million yen)

Deliverer	Receiver	Contract Value
Clearing Participant A	Clearing Participant B	1,010
Clearing Participant A	Clearing Participant C	580
Clearing Participant A	Clearing Participant D	430
Clearing Participant A	Clearing Participant E	60
Total		2,080

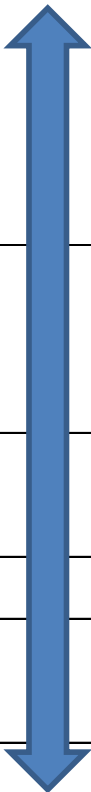
< Order among Issues >



* Assuming unit price of Issues ① thru ⑦ is 100yen

Illustration of Order among Positions subject to Allocation in Collateral Allocation

- Assuming Bank A Clearing Participant is a JGB deliverer in Collateral Allocation.

Basket	Settlement Amount (in 100 million yen)		Order among Position subject to Allocation in Collateral Allocation		Allocated Issue
		After Split in Matching Process for Collateral Allocation			
JGB Basket ①	500	200	 High	①	Allocate according to order among Issues
		150		②	
		100		③	
		50		④	
JGB Basket ②	150	100		⑤	
		50		⑥	

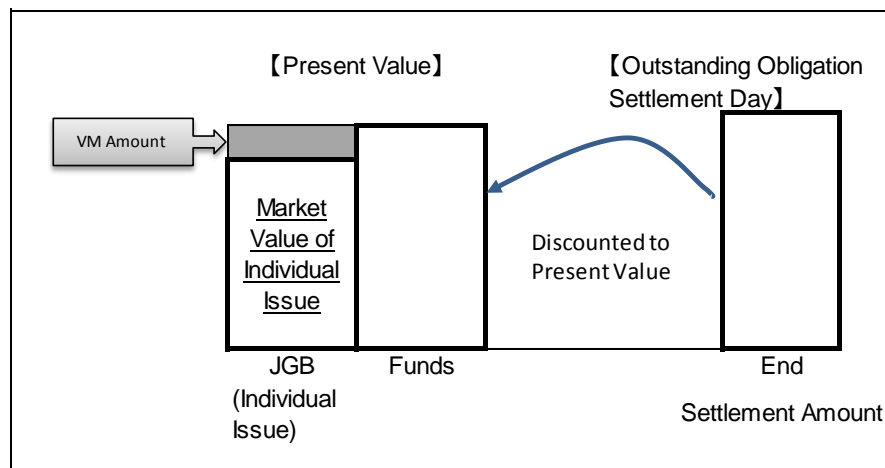
* Issues in “JGB Basket ①” form a part of “JGB Basket ②.”

Variation Margin Calculation Method related to Subsequent Collateral Allocation Repos

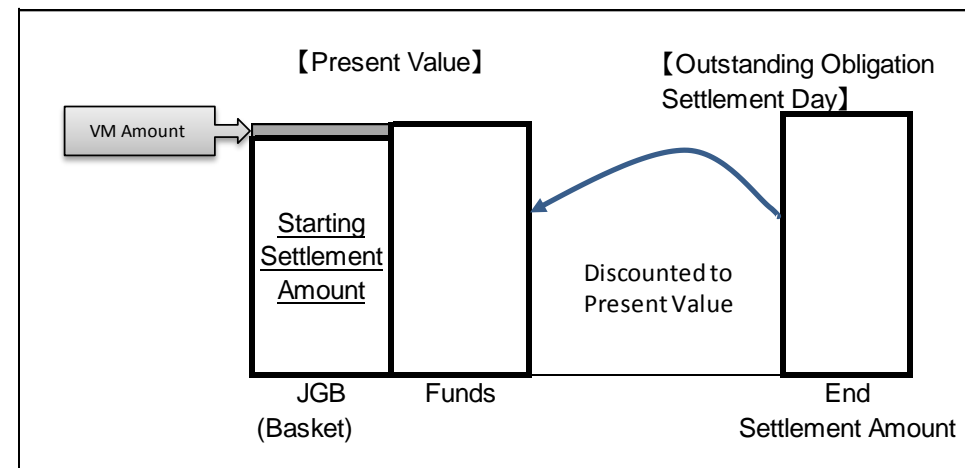
- With respect to the outstanding obligations as of and after the second business day following the calculation day, the difference between the market value of the obligations related to JGBs and the present value, as of standard delivery date for the calculation day, of obligations related to funds will be paid/received on each day (same as existing outright and standard repos).
- However, in Subsequent Collateral Allocation Repos, as collateral allocation has not been conducted on the outstanding obligations as of and after the second business day following the calculation day, present value of JGB outstanding obligations will be the present value of the basket rather than that of individual issue. The issues and quantities equivalent to the settlement amount for Starting Transaction will be allocated to the basket based on the market value on the relevant day. Therefore, the present value will be the settlement amount for the Starting Transaction corresponding to the JGB outstanding obligations.
- Consequently, the amount of Variation Margin related to Subsequent Collateral Allocation Repos will be the difference between the present value of settlement amount for Ending Transactions and the settlement amount of Starting Transactions (equal to present value of repo interest) after netting.

【Reference Illustration】

○ Standard Repos



○ Subsequent Collateral Allocation Repos



End of Document

Timing to Start Clearing Inflation-Indexed Bonds

- Timing to start clearing newly issued Inflation-Indexed Bonds shall be as follows:

Issue	JSCC Clearing Start Date / Time to Start Application for Clearing
Interest-bearing Bonds	<ul style="list-style-type: none"> 11:00 a.m. (or 1:15 p.m. for 40 year bonds) on Auction Date
Treasury Discount Bills	<ul style="list-style-type: none"> 11:00 a.m. on Auction Announcement Date
Floating-rate Bonds	<ul style="list-style-type: none"> 11:00 a.m. on Auction Date
STRIPS	<ul style="list-style-type: none"> 3:00 p.m. on Auction Date
Inflation-Indexed Bonds	<ul style="list-style-type: none"> 11:00 a.m. on Auction Date

- As a condition for an assumption of obligations, Indexation Coefficient of the settlement day (for buying and selling) or of the Starting Transaction delivery day (for Cash-Secured Bond Lending Transactions and Repo Transactions) is required to be fixed. So, as a result of extension of term for which Indexation Coefficient has been fixed, in other words, an announcement of Japan Consumer Price Index (which represents the general consumer price index excluding fresh food; hereinafter referred to as “CPI”), new settlement day or Starting Transaction delivery day eligible for assumption of obligation will be added. Application for an assumption of obligations of transactions which become eligible for assumption of obligations as a result of an announcement of CPI may be submitted after 7:00 a.m. on the next business day of the announcement of CPI.

End of Document

Handling of Notional Principal Value of Inflation-Indexed Bonds

Principal value of Inflation-Indexed Bonds is structured to increase or decrease according to CPI (principal value after such increase/decrease will be hereinafter referred to as “Notional Principal Value”). The Notional Principal Value shall be calculated in the following manner:

【Notional Principal Value Calculation Method】

- Notional Principal Value on n^{th} day in the m^{th} month = Face Value \times Indexation Coefficient of n^{th} day in the m^{th} month
- Indexation Coefficient of n^{th} day in the m^{th} month =
$$\frac{\text{"Ref Index" on } n^{\text{th}} \text{ day in the } m^{\text{th}} \text{ month}}{\text{"Ref Index" for 10th day of the issue month (Interest Payment Month)}} \quad (\text{round to four decimal places})$$

Following formula will be applied instead to Issue No 17 to Issue No. 20 .

$$\frac{\text{"Ref Index" on } n^{\text{th}} \text{ day in the } m^{\text{th}} \text{ month (2015 basis)}}{\text{"Ref Index" for 10th day of the issue month}} \times \frac{\text{"Ref Index" as of September 10, 2016 (2010 basis)}}{\text{"Ref Index" as of September 10, 2016 (2015 basis)}}$$

(Round to two decimal places for Issue No 17 to Issue No. 20 and round to four decimal places for Issue No 21)

- Ref Index on n^{th} day in the m^{th} month
 - If $n = 10$

$$= \text{CPI for the } (m - 3)^{\text{th}} \text{ month}$$
 - If $n > 10$

$$= \text{CPI for the } (m - 3)^{\text{th}} \text{ month} \times \frac{\text{Number of days } ((n+1)^{\text{th}} \text{ day in the } m^{\text{th}} \text{ month to 10th day in the } (m+1)^{\text{th}} \text{ month})}{\text{Number of days (11th day in the } m^{\text{th}} \text{ month to 10th day in the } (m+1)^{\text{th}} \text{ month)}} + \text{CPI for the } (m - 2)^{\text{th}} \text{ month} \times \frac{\text{Number of days (11th day in the } m^{\text{th}} \text{ month to } n^{\text{th}} \text{ day in the } m^{\text{th}} \text{ month)}}{\text{Number of days (11th day in the } m^{\text{th}} \text{ month to 10th day in the } (m+1)^{\text{th}} \text{ month)}}$$

- If $n < 10$

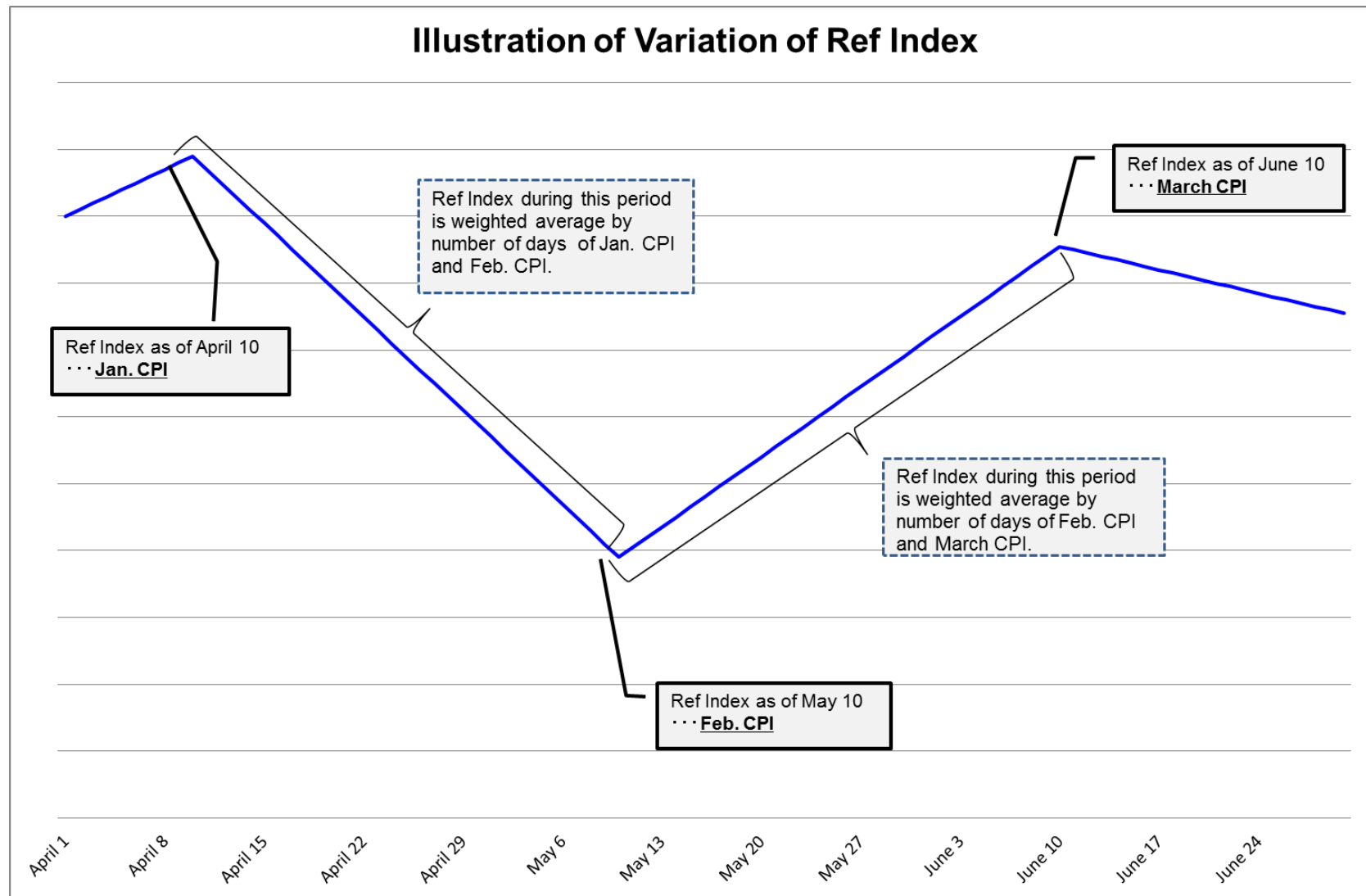
$$= \text{CPI for the } (m-3)^{\text{th}} \text{ month} \times \frac{\text{Number of days (11th day in the } (m-1)\text{th month to nth day in the mth month)}}{\text{Number of days (11th day in the } (m-1)\text{th month to 10th day in the mth month)}} + \text{CPI for the } (m-4)^{\text{th}} \text{ month}$$

$$\times \frac{\text{Number of days ((n+1)th day in the mth month to 10th day in the mth month)}}{\text{Number of days (11th day in the } (m-1)\text{th month to 10th day in mth month)}}$$

- In light of the above, JSCC will use the Notional Principal Value obtained by multiplying the face value by Indexation Coefficient in the calculation of market value of Inflation-Indexed Bonds, in lieu of the face value used for calculation of market value of other Japanese government bonds.
- If the standards of CPI are revised and the CPI based on the revised standard were announced, Ref Index and Indexation Coefficient will be calculated based on the revised CPI.

End of Document

(Reference) Illustration of Variation of Ref Index



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DVP Settlement Amount Calculation Method for Inflation-Indexed Bonds

- DVP Settlement Amount shall be calculated using the Notional Principal Value taking account of Indexation Coefficient.
- To be specific, the DVP Settlement Amount for issues for which the next business day will be the delivery day shall be calculated in the manner outlined below.

Other Japanese Government Bonds	Inflation-Indexed Bonds
<p>DVP Settlement Amount = $\frac{\text{Face Value}}{\text{Day}(*)} \times \text{Market Price for next Business Day}(*) / 100$</p> <p>(*) Sum of the unit price obtained based on yield (average) of Reference Statistical Price published by the Japanese Securities Dealers Association (unit price (average) in the Reference Statistical Price is used for Floating-rate Bonds) and the accrued interest for the number of days up to the next business day following the date of calculation (= 100 yen x nominal coupon x (number of days (from previous interest payment date to next business day) / 365) (the market price shall be calculated under the same concept for Annex 11 and subsequent Annexes).</p>	<p>DVP Settlement Amount = $\frac{\text{Notional Principal Value on next Business Day}(*1)}{\times \text{Market Price for next business day}(*2) / 100}$</p> <p>(*1) Obtained as “Face Value x Indexation Coefficient of the next business day.” (Notional Principal Value shall be calculated under the same concept for Annex 11 and subsequent Annexes).</p> <p>(*2) For unit price in the calculation of market price, unit price (average) in the Reference Statistical Price published by the Japan Securities Dealers Association shall be used in the same manner as in the case of Floating-rate Bonds (the same applies to unit price of Inflation-Indexed Bonds in Annex 11 and subsequent Annexes).</p>

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FOS Settlement Amount for Inflation-Indexed Bonds

- Out of components of FOS Settlement Amount, the following rules shall apply to the interest during the term and the principal amount to be paid/received on the redemption date for failed Inflation-Indexed Bonds. (Calculation method of delivery adjustment amount and fail charge shall remain unchanged.)

1. Calculation Method of Interest Amount during Term

- When an interest payment date for Inflation-Indexed Bonds arrives during repo period, fail period or while bonds are deposited as substituting Japanese government bonds, the amount equivalent to the interest to be paid/received on such interest payment date shall be calculated in the following manner by using the Principal Notional Value taking account of Indexation Coefficient.

Other Japanese Government Bonds	Inflation-Indexed Bonds
Interest Equivalent = $\frac{\text{Face Value} \times \text{Nominal Coupon (\%)} }{200}$	Interest Equivalent = $\frac{\text{Notional Principal Amount on Interest Payment Date} \times \text{Nominal Coupon (\%)} }{200}$

2. Principal Amount to be Paid/Received on Redemption Date for Failed Inflation-Indexed Bonds

- In light of the principal guarantee(*) feature of Inflation-Indexed Bonds after Issue No. 17 to be covered under clearing this time, the principal amount to be paid/received on the redemption date for the Inflation-Indexed Bonds in respect of which fail has occurred shall be as follows:

(*) If Indexation Coefficient on Redemption Date is below 1, then Redemption Amount shall be equal to the Face Value.

Other Japanese Government Bonds	Inflation-Indexed Bonds
Principal Amount to be Paid/Received on Redemption Date = <u>Face Value</u>	Principal Amount to be Paid/Received on Redemption Date = <u>Greater of Face Value and Notional Principal Value on Redemption Date</u>

End of Document

Variation Margin Calculation Method related to Inflation-Indexed Bonds

- When calculating Variation Margin, the market value of Inflation-Indexed Bonds shall be calculated in the following manner by using the Notional Principal Value taking account of Indexation Coefficient:

Other Japanese Government Bonds	Inflation-Indexed Bonds
Market Value = <u>Face Value</u> × Market Price for Regular Transfer Day	Market Value = <u>Notional Principal Value on Regular Transfer Day</u> × Market Price for Regular Transfer Day

End of Document

Calculation Method of Market Value of Substituting Japanese Government Bonds related to Inflation-Indexed Bonds

1. Substituting Japanese Government Bonds Market Value Calculation Method

- The market value of Inflation-Indexed Bonds deposited as substituting Japanese government bonds shall be calculated by using the Notional Principal Value taking account of Indexation Coefficient.
- Specifically, the market value shall be obtained in the following manner:

Other Japanese Government Bonds	Inflation-Indexed Bonds
$\begin{aligned} \text{Market Value of Substituting Securities} &= \text{Face Value} \\ &\times (\text{Unit Price for Deposit Date} \times \text{Appraisal Multiplier} \\ &+ \text{Accrued Interest for Deposit Date}) \end{aligned}$	$\begin{aligned} \text{Market Value of Substituting Securities} &= \text{Notional Principal Value on} \\ \text{Deposit Date} &\times (\text{Unit Price for Deposit Date} \times \text{Appraisal Multiplier} \\ &+ \text{Accrued Interest for Deposit Date}) \end{aligned}$

2. Treatment when Redemption Date of Inflation-Indexed Bonds Deposited as Substituting Japanese Government Bonds Arrives

- The amount of the principal amount to be deposited as cash collateral for Inflation-Indexed Bonds deposited as substituting Japanese government bonds for which redemption date arrives shall be obtained in the following manner. (Same treatment as Item #2 of Annex 11).

Other Japanese Government Bonds	Inflation-Indexed Bonds
$\text{Principal Amount Equivalent to be Deposited as Cash Collateral on Redemption Date} = \text{Face Value}$	$\text{Principal Amount Equivalent to be Deposited as Cash Collateral on Redemption Date} = \text{Greater of Face Value and Notional Principal Value on Redemption Date}$

End of Document

Revision of Initial Margin, etc. Associated with Shortening of Settlement Cycle and Clearing Business to Cover Inflation-Indexed JGB

* Underlined parts represent changes from current version.

	(Reference) Current Rules	After Revision	Remarks												
1. Required Initial Margin Amount Calculation Timing and Deposit Deadline	<ul style="list-style-type: none"> Calculation timing of Required Initial Margin Amount and deposit deadline shall be as follows: Calculation Timing: 6:30 P.M. Deposit Deadline: 11:00 A.M. next day 	<ul style="list-style-type: none"> Calculation timing of Required Initial Margin Amount and deposit deadline shall be as follows: <table border="1"> <thead> <tr> <th></th><th>1st</th><th><u>2nd</u></th><th><u>3rd</u></th></tr> </thead> <tbody> <tr> <td>Calculation Timing</td><td><u>7:00 A.M.</u></td><td><u>11:00 A.M.</u></td><td><u>2:00 P.M.</u></td></tr> <tr> <td>Deposit Deadline</td><td><u>10:00 A.M.</u></td><td><u>2:00 P.M.</u></td><td><u>5:00 P.M.</u></td></tr> </tbody> </table> 		1st	<u>2nd</u>	<u>3rd</u>	Calculation Timing	<u>7:00 A.M.</u>	<u>11:00 A.M.</u>	<u>2:00 P.M.</u>	Deposit Deadline	<u>10:00 A.M.</u>	<u>2:00 P.M.</u>	<u>5:00 P.M.</u>	<ul style="list-style-type: none"> Required Initial Margin Amount will be updated 3 times a day. Initial Margin refund will also be made 3 times a day (to be made upon request of a Clearing Participant promptly after each Deposit Deadline).
	1st	<u>2nd</u>	<u>3rd</u>												
Calculation Timing	<u>7:00 A.M.</u>	<u>11:00 A.M.</u>	<u>2:00 P.M.</u>												
Deposit Deadline	<u>10:00 A.M.</u>	<u>2:00 P.M.</u>	<u>5:00 P.M.</u>												
2. Required Initial Margin Amount	<ul style="list-style-type: none"> Required Initial Margin Amount shall be the greater of the Required Initial Margin Base Amount and 1 billion yen. Required Initial Margin Base Amount shall be the sum of each of the following required amounts: <ol style="list-style-type: none"> Initial Margin Amount to Cover Market Price Fluctuation Risk; Initial Margin Amount to Cover Repo Rate Fluctuation Risk; Initial Margin Amount to Cover FOS Settlement Failure Risk; and Required Amount of Market Impact Charge. 	<ul style="list-style-type: none"> Required Initial Margin Amount shall be <u>the sum of each of the following required amounts.</u> <ol style="list-style-type: none"> <u>Initial Margin Amount to Cover Market Price Fluctuation Risk;</u> <u>Initial Margin Amount to Cover Repo Rate Fluctuation Risk;</u> <u>Initial Margin Amount to Cover FOS Settlement Failure Risk;</u> and <u>Required Amount of Market Impact Charge.</u> 	<ul style="list-style-type: none"> Minimum required amount (1 billion yen) will be discontinued. At least 500 million yen (Required Initial Margin if the Initial Margin is less than 500 million yen) of Initial Margin, must be deposited in cash. See 2. (1) to (4) for calculation method of each required amount. 												
(1) Initial Margin Amount to Cover Market Price	<ul style="list-style-type: none"> Initial Margin Amount to Cover Market Price Fluctuation Risk shall be the largest of the following: <ol style="list-style-type: none"> Market Price Fluctuation POMA <ul style="list-style-type: none"> After calculating, for all issues, the amount for each issue obtained by multiplying the difference between the total quantity delivered and the total quantity received (hereinafter referred to as the “Net Quantity”) by such Clearing Participant for each issue in relation to the Transactions subject to Clearing that are Buying/Selling Transactions, Cash-secured Bond Lending Transactions and Repo Transactions (other than Subsequent Collateral Allocation Repos) (hereinafter referred to as the “Ordinary Transactions”), of which obligations have been assumed by the calculation day and of which settlement day arrives on or after the next day 	<ul style="list-style-type: none"> Initial Margin Amount to Cover Market Price Fluctuation Risk <u>for 1st requirement calculation</u> shall be the largest of the following: <ol style="list-style-type: none"> Market Price Fluctuation POMA <ul style="list-style-type: none"> After calculating, for all issues, the amount for each issue obtained by multiplying the Net Quantity for such Clearing Participant for each issue in relation to <u>the Ordinary Transactions, of which obligations have been assumed by the day before the calculation day and of which settlement day arrives on or after the calculation day, and the Subsequent Collateral Allocation Repos, of which obligations have been assumed by 7:00A.M. on the calculation day and of which settlement day arrives on or after the calculation day,</u> by the Market Price Fluctuation Risk Factor for each issue, the total amount of such calculated amount for each issue offset by the setoff ratio. Market Price Fluctuation Adjusted POMA <ul style="list-style-type: none"> After calculating, for all issues, the amount for each issue obtained by multiplying the Net Quantity for such Clearing Participant for each issue in relation to <u>the Ordinary Transactions, of which obligations have been assumed by the day before the calculation day and of which settlement day arrives on or after the next day following the calculation day, and the Subsequent Collateral Allocation Repos, of which obligations have been assumed by 7:00A.M. on the calculation day and of which settlement day arrives on or after the next</u> 	<ul style="list-style-type: none"> As to Subsequent Collateral Allocation Repos, only those positions for which collateral allocation has been completed shall be covered. See Annex for regarding the Market Price Fluctuation Risk Factor 												

	(Reference) Current Rules	After Revision	Remarks
	<p>following the calculation day, by the Market Price Fluctuation Risk Factor for each issue, the total amount of such calculated amount for each issue offset by the setoff ratio.</p> <p>b. Market Price Fluctuation Adjusted POMA</p> <ul style="list-style-type: none"> After calculating, for all issues, the amount for each issue obtained by multiplying the Net Quantity for such Clearing Participant for each issue in relation to the Ordinary Transactions, of which obligations have been assumed by the calculation day and of which settlement day arrives on or after the second day following the calculation day, by the Market Price Fluctuation Risk Factor for each issue, the total amount of such calculated amount for each issue offset by the setoff ratio. <p>c. Market Price Fluctuation Average POMA</p> <ul style="list-style-type: none"> The average of the top twenty (20) daily Market Price Fluctuation POMA during a period of past 120 days (excluding holidays) ending on the day immediately preceding the calculation day. <p>d. Lower Limit of Japanese Government Bonds Restructuring Cost</p> <ul style="list-style-type: none"> The total amount, for all issues, of the amount for each issue obtained by multiplying the Net Quantity for such Clearing Participant for each issue in relation to the Ordinary Transactions, of which obligations have been assumed by the calculation day and of which settlement day arrives on or after the next day following the calculation day, by the Market Price Fluctuation Risk Factor for each issue, multiplied by ten hundredths (0.1). 	<p><u>day following the calculation day</u>, by the Market Price Fluctuation Risk Factor for each issue, the total amount of such calculated amount for each issue offset by the setoff ratio.</p> <p>c. Lower Limit of Japanese Government Bonds Restructuring Cost</p> <ul style="list-style-type: none"> The total amount, for all issues, of the amount for each issue obtained by multiplying the Net Quantity for such Clearing Participant for each issue in relation to <u>the Ordinary Transactions, of which obligations have been assumed by the day before the calculation day and of which settlement day arrives on or after the calculation day, and the Subsequent Collateral Allocation Repos, of which obligations have been assumed by 7:00A.M. on the calculation day and of which settlement day arrives on or after the calculation day</u>, by the Market Price Fluctuation Risk Factor for each issue, multiplied by ten hundredths (0.1). <p>• Initial Margin Amount to Cover Market Price Fluctuation Risk <u>for 2nd requirement calculation</u> shall be the largest of the following:</p> <p>a. Market Price Fluctuation Adjusted POMA</p> <ul style="list-style-type: none"> After calculating, for all issues, the amount for each issue obtained by multiplying the Net Quantity for such Clearing Participant for each issue in relation to <u>the Ordinary Transactions, of which obligations have been assumed by the day before the calculation day and of which settlement day arrives on or after the next day following the calculation day, and the Subsequent Collateral Allocation Repos, of which obligations have been assumed by 11:00A.M. on the calculation day and of which settlement day arrives on or after the next day following the calculation day</u>, by the Market Price Fluctuation Risk Factor for each issue, the total amount of such calculated amount for each issue offset by the setoff ratio. <p>b. Lower Limit of Japanese Government Bonds Restructuring Cost</p> <ul style="list-style-type: none"> The total amount, for all issues, of the amount for each issue obtained by multiplying the Net Quantity for such Clearing Participant for each issue in relation to <u>the Ordinary Transactions, of which obligations have been assumed by the day before the calculation day and of which settlement day arrives on or after the next day following the calculation day, and the Subsequent Collateral Allocation Repos, of which obligations have been assumed by 11:00A.M. on the calculation day and of which settlement day arrives on or after the next day following the calculation day</u>, by the Market Price Fluctuation Risk Factor for each issue, multiplied by ten hundredths (0.1). <p>• Initial Margin Amount to Cover Market Price Fluctuation Risk <u>for 3rd requirement calculation</u> shall be the largest of the following:</p> <p>a. Market Price Fluctuation Adjusted POMA</p> <ul style="list-style-type: none"> After calculating, for all issues, the amount for each issue obtained by multiplying the Net Quantity for such Clearing Participant for each issue in relation to <u>the Ordinary Transactions, of which obligations have been assumed by the day before the calculation day and of which settlement day arrives on or after the next day following the calculation day, and the Subsequent Collateral Allocation Repos, of which obligations have been assumed by 2:00P.M. on the calculation day and of which settlement day arrives on or after the next day</u> 	

	(Reference) Current Rules	After Revision	Remarks
	<ul style="list-style-type: none"> The amount of Risk calculated for each Issue shall be offset within three offset categories of Interest-bearing JGB, Discount JGB and JBG with floating rate set based on Issue classifications. The setoff ratio among the same setoff class represents the value obtained by correlation coefficient calculated based on the daily market value of each issue for the past 120 days (excluding holidays) from the last business day of the previous month for the issue with the longest remaining maturity and the issue with the shortest remaining maturity in the same setoff class multiplied by hundred (round down the second decimal place at 0.05). Provided, however, that if the calculated value is less than 50 and correlation coefficient cannot be calculated, it shall be 50. 	<p><u>following the calculation day</u>, by the Market Price Fluctuation Risk Factor for each issue, the total amount of such calculated amount for each issue offset by the setoff ratio.</p> <p>b. Market Price Fluctuation Average POMA <u>(not applicable to Repo Transactions Only Accounts and Subsequent Collateral Allocation Repos Only Accounts)</u></p> <ul style="list-style-type: none"> The average of the top twenty (20) daily <u>POMA for calculation of Market Price Fluctuation Average POMA</u> during a period of past 120 days (excluding holidays) ending on the day immediately preceding the calculation day. <u>For this purpose, POMA for calculation of Market Price Fluctuation Average POMA shall be the amount obtained as follows: After calculating, for all issues, the amount for each issue obtained by multiplying the Net Quantity for such Clearing Participant for each issue in relation to the Ordinary Transactions, of which obligations have been assumed by a certain day and of which settlement day arrives on or after the next day following that day, and the Subsequent Collateral Allocation Repos, of which obligations have been assumed by 2:00P.M. on that day and of which settlement day arrives on or after the next day following that day, by the Market Price Fluctuation Risk Factor for each issue, the total amount of such calculated amount for each issue offset by the setoff ratio.</u> <p>c. Lower Limit of Japanese Government Bonds Restructuring Cost</p> <ul style="list-style-type: none"> The total amount, for all issues, of the amount for each issue obtained by multiplying the Net Quantity for such Clearing Participant for each issue in relation to <u>the Ordinary Transactions, of which obligations have been assumed by the day before the calculation day and of which settlement day arrives on or after the next day following the calculation day, and the Subsequent Collateral Allocation Repos, of which obligations have been assumed by 2:00P.M. on the calculation day and of which settlement day arrives on or after the next day following the calculation day</u>, by the Market Price Fluctuation Risk Factor for each issue, multiplied by ten hundredths (0.1). <ul style="list-style-type: none"> The amount of Risk calculated for each Issue shall be offset within <u>four (4)</u> offset categories of Interest-bearing JGB, Discount JGB, JGB with floating rate <u>and Inflation-Indexed JGB</u> set based on Issue classifications. The setoff ratio among the same setoff class represents the value obtained by correlation coefficient calculated based on the daily market value of each issue for the past 120 days (excluding holidays) from the last business day of the previous month for the issue with the longest remaining maturity and the issue with the shortest remaining maturity in the same setoff class multiplied by hundred (round down the second decimal place at 0.05). Provided, however, that if the calculated value is less than <u>zero (0)</u> and correlation coefficient cannot be calculated, it shall be <u>zero (0)</u>. 	

	(Reference) Current Rules	After Revision	Remarks
(2) Initial Margin Amount to Cover Repo Rate Fluctuation Risk	<ul style="list-style-type: none"> Initial Margin Amount to Cover Repo Rate Fluctuation Risk shall be the largest of the following: <ul style="list-style-type: none"> a. Repo Rate Fluctuation POMA <ul style="list-style-type: none"> — Absolute value of the total amount, for all issues and all settlement days, of the amount obtained as a product of (x) the amount obtained by multiplying the market value of the difference between the total quantity delivered and total quantity received (hereinafter referred to as the “Net Position”) of each issue and each settlement day for such Clearing Participant related to the Ordinary Transactions, of which obligations have been assumed by the calculation day and of which settlement day arrives on or after the next day following the calculation day, by the Repo Rate Fluctuation Risk Factor, and (y) the value obtained by dividing the number of days (including holidays, and if the settlement day arrives prior to the regular transfer day, the value will be negative) from the regular transfer day to the settlement day by 365. b. Repo Rate Fluctuation Average POMA <ul style="list-style-type: none"> — Average of top 20 daily Repo Rate Fluctuation POMA during a period of past 120 days ending on the day immediately preceding the calculation day (excluding holidays). c. Lower Limit of Repo Rate Fluctuation Risk <ul style="list-style-type: none"> — Total amount, for all issues and all settlement days, of the absolute value of the amount obtained for each issue and each settlement day as a product of (x) the amount obtained by multiplying the market value of the Net Position for each issue and settlement day for such Clearing Participant related to the Ordinary Transactions, of which obligations are assumed by the calculation day and of which settlement day arrives on or after the next day following the calculation day, by the Repo Rate Fluctuation Risk Factor, and (y) the value obtained by dividing the number of days (including holidays, and if the settlement day arrives prior to the regular transfer 	<ul style="list-style-type: none"> Initial Margin Amount to Cover Repo Rate Fluctuation Risk <u>for 1st requirement calculation</u> shall be the largest of the following: <ul style="list-style-type: none"> a. Repo Rate Fluctuation POMA <ul style="list-style-type: none"> — Absolute value of the total amount, for all issues and all settlement days, of the amount obtained as a product of (x) the amount obtained by multiplying the market value (or the settlement amount for basket obligations; the same applies hereinafter) of the Net Position of each issue and each settlement day for such Clearing Participant related to <u>the Ordinary Transactions, of which obligations have been assumed by the day before the calculation day and of which settlement day arrives on or after the calculation day, and the Subsequent Collateral Allocation Repos, of which obligations have been assumed by 7:00A.M. on the calculation day and of which settlement day arrives on or after the calculation day</u>, by the Repo Rate Fluctuation Risk Factor, and (y) the value obtained by dividing the number of days (including holidays, and if the settlement day arrives prior to the regular transfer day, the value will be negative) from the regular transfer day to the settlement day by 365. <u>For Inflation-Indexed JGB, notional principal value as of the regular transfer day will be used in calculating the market value of Net Position.</u> b. Lower Limit of Repo Rate Fluctuation Risk <ul style="list-style-type: none"> — Total amount, for all issues and all settlement days, of the absolute value of the amount obtained for each issue and each settlement day as a product of (x) the amount obtained by multiplying the market value of the Net Position for each issue and settlement day for such Clearing Participant related to <u>the Ordinary Transactions, of which obligations are assumed by the day before the calculation day and of which settlement day arrives on or after the calculation day, and the Subsequent Collateral Allocation Repos, of which obligations have been assumed by 7:00A.M. on the calculation day and of which settlement day arrives on or after the calculation day</u>, by the Repo Rate Fluctuation Risk Factor, and (y) the value obtained by dividing the number of days (including holidays, and if the settlement day arrives prior to the regular transfer day, the value will be negative) from the regular transfer day to the settlement day by 365, multiplied by ten hundredth (0.1). Initial Margin Amount to Cover Repo Rate Fluctuation Risk <u>for 2nd requirement calculation</u> shall be the largest of the following: <ul style="list-style-type: none"> a. Repo Rate Fluctuation POMA <ul style="list-style-type: none"> — Absolute value of the total amount, for all issues and all settlement days, of the amount obtained as a product of (x) the amount obtained by multiplying the market value of the Net Position of each issue and each settlement day for such Clearing Participant related to <u>the Ordinary Transactions, of which obligations have been assumed by the day before the calculation day and of which settlement day arrives on or after the next day following the calculation day, and the Subsequent Collateral Allocation Repos, of which obligations have been assumed by 11:00A.M. on the calculation day and of which settlement day arrives on or after the calculation day</u>, by the Repo Rate Fluctuation Risk Factor, and (y) the value obtained by dividing the number of days (including holidays, and if the settlement day arrives prior to the regular transfer day, the value will 	<ul style="list-style-type: none"> Treatment of Repo Rate Fluctuation Risk Factor remains unchanged. As to Subsequent Collateral Allocation Repos, basket positions before collateral allocation shall also be covered.

	(Reference) Current Rules	After Revision	Remarks
	<p>day, the value will be negative) from the regular transfer day to the settlement day by 365, multiplied by ten hundredth (0.1).</p>	<p>be negative) from the regular transfer day to the settlement day by 365. <u>For Inflation-Indexed JGB, notional principal value as of the regular transfer day will be used in calculating the market value of Net Position.</u></p> <p>b. Lower Limit of Repo Rate Fluctuation Risk</p> <ul style="list-style-type: none"> — Total amount, for all issues and all settlement days, of the absolute value of the amount obtained for each issue and each settlement day as a product of (x) the amount obtained by multiplying the market value of the Net Position for each issue and settlement day for such Clearing Participant related to <u>the Ordinary Transactions, of which obligations are assumed by the day before the calculation day and of which settlement day arrives on or after the next day following the calculation day, and the Subsequent Collateral Allocation Repos, of which obligations have been assumed by 11:00A.M. on the calculation day and of which settlement day arrives on or after the calculation day,</u> by the Repo Rate Fluctuation Risk Factor, and (y) the value obtained by dividing the number of days (including holidays, and if the settlement day arrives prior to the regular transfer day, the value will be negative) from the regular transfer day to the settlement day by 365, multiplied by ten hundredth (0.1). <p>• Initial Margin Amount to Cover Repo Rate Fluctuation Risk <u>for 3rd requirement calculation</u> shall be the largest of the following:</p> <p>a. <u>Repo Rate Fluctuation Adjusted POMA</u></p> <ul style="list-style-type: none"> — Absolute value of the total amount, for all issues and all settlement days, of the amount obtained as a product of (x) the amount obtained by multiplying the market value of the Net Position of each issue and each settlement day for such Clearing Participant related to <u>the Ordinary Transactions, of which obligations have been assumed by the day before the calculation day and of which settlement day arrives on or after the next day following the calculation day, and the Subsequent Collateral Allocation Repos, of which obligations have been assumed by 2:00P.M. on the calculation day and of which settlement day arrives on or after the next day following the calculation day,</u> by the Repo Rate Fluctuation Risk Factor, and (y) the value obtained by dividing the number of days (including holidays, and if the settlement day arrives prior to the regular transfer day, the value will be negative) from the regular transfer day to the settlement day by 365. <p>b. Repo Rate Fluctuation Average POMA <u>(not applicable to Subsequent Collateral Allocation Only Accounts)</u></p> <ul style="list-style-type: none"> — Average of top 20 daily <u>POMA for calculation of Repo Rate Fluctuation Average POMA</u> during a period of past 120 days ending on the day immediately preceding the calculation day (excluding holidays). <u>For this purpose, POMA for calculation of Repo Rate Fluctuation Average POMA shall be the absolute value of the total amount, for all issues and all settlement days, of the amount obtained as a product of (x) the amount obtained by multiplying the market value of the Net Position of each issue and each settlement day for such Clearing Participant related to the Ordinary Transactions, of which obligations have been assumed by a certain day and of which settlement day arrives on or after the next day following that day, and the Subsequent Collateral Allocation Repos, of which obligations have been assumed by 2:00P.M. on that day and of which settlement day arrives on or after the next day following that day, by the Repo Rate Fluctuation Risk Factor, and (y) the value obtained by dividing the number of days (including holidays, and if the</u> 	

	(Reference) Current Rules	After Revision	Remarks
		<p><u>settlement day arrives prior to the regular transfer day, the value will be negative) from the regular transfer day to the settlement day by 365.</u></p> <p>c. Lower Limit of Repo Rate Fluctuation Risk</p> <p>— Total amount, for all issues and all settlement days, of the absolute value of the amount obtained for each issue and each settlement day as a product of (x) the amount obtained by multiplying the market value of the Net Position for each issue and settlement day for such Clearing Participant related to <u>the Ordinary Transactions, of which obligations are assumed by the day before the calculation day and of which settlement day arrives on or after the next day following the calculation day, and the Subsequent Collateral Allocation Repos, of which obligations have been assumed by 2:00P.M. on the calculation day and of which settlement day arrives on or after the next day following the calculation day</u>, by the Repo Rate Fluctuation Risk Factor, and (y) the value obtained by dividing the number of days (including holidays, and if the settlement day arrives prior to the regular transfer day, the value will be negative) from the regular transfer day to the settlement day by 365, multiplied by ten hundredth (0.1).</p>	
(3) Initial Margin Amount to Cover FOS Settlement Failure Risk	<ul style="list-style-type: none"> Initial Margin Amount to Cover FOS Settlement Failure Risk shall be the average of top 20 days of daily FOS Settlement amounts for the relevant Clearing Participant during the period of past 120 days (excluding holidays) ending on the calculation day. 	<ul style="list-style-type: none"> Initial Margin Amount to Cover FOS Settlement Failure Risk <u>for 1st requirement calculation</u> shall be <u>the sum total of the following:</u> <ul style="list-style-type: none"> <u>a. The amount equivalent to the delivery adjustment amount payable in respect of the Subsequent Collateral Allocation Repos based on collateral allocation results at 7:00A.M. on the calculation day; and</u> <u>b. The amount equivalent to the required amount of Variation Margin related to Subsequent Collateral Allocation Repos based on the basket netting results at 7:00A.M. on the calculation day.</u> Initial Margin Amount to Cover FOS Settlement Failure Risk <u>for 2nd requirement calculation</u> shall be <u>the sum total of the following:</u> <ul style="list-style-type: none"> <u>a. The amount equivalent to the delivery adjustment amount payable in respect of the Subsequent Collateral Allocation Repos based on collateral allocation results at 11:00A.M. on the calculation day; and</u> <u>b. The amount equivalent to the required amount of Variation Margin related to Subsequent Collateral Allocation Repos based on the basket netting results at 11:00A.M. on the calculation day.</u> Initial Margin Amount to Cover FOS Settlement Failure Risk <u>for 3rd requirement calculation</u> shall be <u>the sum total of the following:</u> <ul style="list-style-type: none"> <u>a. The average of top 20 daily values of the sum of the amounts to be paid/received as Variation Margin for Ordinary Transactions and the amounts to be paid/received as the delivery adjustment amount for Ordinary Transactions on each day during the period of past 120 days (excluding holidays) ending on the calculation day (not applicable to Subsequent Collateral Allocation Repos Only Accounts).</u> <u>b. The amount equivalent to the required amount of Variation Margin related to Subsequent Collateral Allocation Repos based on the basket netting results at 2:00P.M. on the calculation day.</u> 	<ul style="list-style-type: none"> Current requirements calculation method which is based on past daily FOS Settlement amounts is changed to the one based on FOS Settlement amounts settled after calculation.

	(Reference) Current Rules	After Revision	Remarks
(4) Required Amount of Market Impact Charge	<ul style="list-style-type: none"> Required Amount of Market Impact Charge shall be the total amount, for all issues, of the amount for each issue obtained by multiplying the Net Quantity for each issue for such Clearing Participant in respect of the Ordinary Transactions, of which obligations have been assumed by the calculation day and of which settlement day arrives on or after the next day following the calculation day, by the basis point value (or 1 for floating-rate Japanese government bonds, the same applies hereinafter) and the criterial spread by issue. 	<ul style="list-style-type: none"> Required Amount of Market Impact Charge <u>for 1st requirement calculation</u> shall be the largest of the following: <u>When calculating Market Impact Charge relating to Inflation-Indexed JGB, the amount will be replaced by notional principal value as of the regular transfer day.</u> <ol style="list-style-type: none"> Amount Equivalent to Transaction Execution Costs <ul style="list-style-type: none"> The total amount, for all issues, of the amount for each issue obtained by multiplying <u>each of</u> the Net Quantity for each issue for such Clearing Participant in respect of <u>the Net Quantity for each issue for such Clearing Participant in respect of the Ordinary Transactions, of which obligations have been assumed by the day before the calculation day and settlement day arrives on or after the calculation day, and the Subsequent Collateral Allocation Repos, of which obligations have been assumed by 7:00A.M. on the calculation day and settlement day arrives on or after the calculation day,</u> by the basis point value and the criterial spread by issue. Amount Equivalent to Adjusted Transaction Execution Costs <ul style="list-style-type: none"> The total amount, for all issues, of the amount for each issue obtained by multiplying <u>each of</u> the Net Quantity for each issue for such Clearing Participant in respect of <u>the Net Quantity for each issue for such Clearing Participant in respect of the Ordinary Transactions, of which obligations have been assumed by the day before the calculation day and settlement day arrives on or after the calculation day, and the Subsequent Collateral Allocation Repos, of which obligations have been assumed by 7:00A.M. on the calculation day and settlement day arrives on or after the calculation day,</u> by the basis point value and the criterial spread by issue. Required Amount of Market Impact Charge <u>for 2nd requirement calculation</u> shall be the following: <ol style="list-style-type: none"> Amount Equivalent to Adjusted Transaction Execution Costs <ul style="list-style-type: none"> The total amount, for all issues, of the amount for each issue obtained by multiplying <u>each of</u> the Net Quantity for each issue for such Clearing Participant in respect of <u>the Net Quantity for each issue for such Clearing Participant in respect of the Ordinary Transactions, of which obligations have been assumed by the day before the calculation day and settlement day arrives on or after the calculation day, and the Subsequent Collateral Allocation Repos, of which obligations have been assumed by 11:00A.M. on the calculation day and settlement day arrives on or after the calculation day,</u> by the basis point value and the criterial spread by issue. Required Amount of Market Impact Charge <u>for 3rd requirement calculation</u> shall be the largest of the following: <ol style="list-style-type: none"> Amount Equivalent to Adjusted Transaction Execution Costs <ul style="list-style-type: none"> The total amount, for all issues, of the amount for each issue obtained by multiplying <u>each of</u> the Net Quantity for each issue for such Clearing Participant in respect of <u>the Net Quantity for each issue for such Clearing Participant in respect of the Ordinary Transactions, of which obligations have been assumed by the day before the calculation day and settlement day arrives on or after the calculation day, and the Subsequent Collateral Allocation Repos, of which obligations have been assumed by 2:00P.M. on the calculation day and</u> 	<ul style="list-style-type: none"> Treatment of basis point spread value remains unchanged. Market condition for setting up the criterial spread in market survey will be changed from ordinary condition to stressed condition. Criterial Spread at the starting of clearing for Inflation-Indexed JGB will be set through the preliminary market survey. It shall be expressed in Yen (the amount of gap). The positions relating to ordinary transaction and Subsequent Collateral Allocation Repos will not be netted.

	(Reference) Current Rules	After Revision	Remarks
		<p><u>settlement day arrives on or after the calculation day</u>, by the basis point value and the criterial spread by issue.</p> <p>b. Amount Equivalent to Average Transaction Execution Costs (not applicable to the Repo Only Accounts and Subsequent Collateral Allocation Repo Only Accounts)</p> <p>— <u>Average of top 20 daily values of the amount equivalent to the transaction execution costs for calculation of the amount equivalent to average transaction execution costs for each day during the period of past 120 days (excluding holidays) ending on the day before the calculation day. For this purpose, the amount equivalent to the transaction execution costs for calculation of the amount equivalent to average transaction execution costs shall be the total amount, for all issues, of the amount for each issue obtained by multiplying the Net Quantity for each issue for such Clearing Participant in respect of the Ordinary Transactions, of which obligations have been assumed by a certain day and settlement day arrives on or after the next day following that day, and the Subsequent Collateral Allocation Repos, of which obligations have been assumed by 2:00P.M. on that day and settlement day arrives on or after the next day following that day, by the basis point value and the criterial spread by issue.</u></p>	
(5) Increase of Required Initial Margin Amount according to Credit-worthiness	<ul style="list-style-type: none"> If JSCC considers it necessary in light of the creditworthiness of a Clearing Participant, JSCC may increase the Required Initial Margin Amount by the predetermined percentage. 	<ul style="list-style-type: none"> If JSCC considers it necessary in light of the creditworthiness of a Clearing Participant, JSCC may increase the Required Initial Margin Amount by <u>the greater of the predetermined percentage of the Required Initial Margin Amount and the predetermined percentage of the expected loss amount related to fail charge and funding costs.</u> <u>The expected loss amount related to fail charge and funding costs shall be the total amount of (x) the amount equivalent to the fail charge expected to arise on an assumption of fail related to all delivering positions of which settlement day arrives during the period of 3 business days from the next day following the Required Initial Margin Amount calculation day occurring for the period of such consecutive 3 business days and (y) the amount equivalent to costs for the obligated fund provision expected to arise on an assumption of carrying out the obligated fund provision for liquidation of all receiving positions of which settlement day arrives during the period of 3 business days from the next day following the Required Initial Margin Amount calculation day.</u> 	<ul style="list-style-type: none"> Specific level of Initial Margin increase according to the creditworthiness of Clearing Participant is as specified in Appendix. JSCC shall pay the fail charge to a receiving Clearing Participant if the delivery of JGB is failed due to default of Clearing Participant.
(6) Intraday Initial Margin	<ul style="list-style-type: none"> The Intraday Initial Margin shall be called when the difference between the contract price as of the close of the morning session and that as of the close of afternoon session on the previous day of the long-term JGB Futures (central contract month transaction) exceeds the trigger level. In case it is triggered and Initial Margin Deposited Amount is less than Required Intraday Initial Margin Amount, the cutoff time to deposit such amount of shortage or more shall be 3:30 P.M. 	<ul style="list-style-type: none"> No change. When it is triggered, <u>JSCC will increase certain rate for Required Initial Margin in respect of Intraday Initial Margin for 2nd and 3rd calculation on the triggered day.</u> 	<ul style="list-style-type: none"> In case where the increase in respect of the amount of net properties or the amount of net assets, or increase in respect of rate for Initial Margin Ratio or Credit-worthiness was applied, any of the

	(Reference) Current Rules	After Revision	Remarks
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	(Reference) Current Rules	After Revision	Remarks
	<p>collateral for such other Clearing Participant in case where the other Clearing Participant is included in the corporate group including the Clearing Participant) prorated according to the Required Initial Margin Amount for each Clearing Participant as of the said Calculation Date.</p> <ul style="list-style-type: none"> The risk amount exceeding collateral shall be the difference of the amount equivalent to stressed risk set forth in 3.(2) and the Required Initial Margin Amount on the day before the Clearing Fund Calculation Date. 	<p><u>each day during the period of past 120 days (excluding holidays) ending on the calculation day</u> prorated according to the Required Initial Margin Amount <u>calculated at 1st requirement calculation</u> for each Clearing Participant as of the said Calculation Date.</p> <ul style="list-style-type: none"> No change 	
(1) Calculation Timing and Deposit Cutoff Time	<ul style="list-style-type: none"> Calculation timing and deposit deadline of the Required Clearing Fund Amount shall be as follows: Calculation Timing : 6:30P.M. on the business day prior to the last business day of every week Deposit Cutoff Time: 11:00A.M. next day 	<ul style="list-style-type: none"> Calculation timing and deposit deadline of the Required Clearing Fund Amount shall be as follows: Calculation Timing : <u>6:30P.M.</u> Deposit Cutoff Time: <u>10:00A.M. next day</u> 	<ul style="list-style-type: none"> Frequency of calculation is changed to daily as part of revisions of risk management. Treatment in association with the change of deposit deadline of Initial Margin.
(2) Amount Equivalent to Stressed Risk	<ul style="list-style-type: none"> The amount equivalent to stressed risk shall be the largest loss expected in 12 stress scenarios generated as combinations of factors, such as the primary component of yield curve fluctuations extracted from historical yield curve fluctuation data through the principal component analysis method and the historical largest market fluctuation. 	<ul style="list-style-type: none"> The amount equivalent to stressed risk shall be <u>the sum of (x)</u> the largest loss expected in <u>120 stress scenarios</u> generated as combinations of factors, such as the primary component of yield curve fluctuations extracted from historical yield curve fluctuation data through the principal component analysis method and the historical largest market fluctuation <u>and (y) the expected loss amount related to fail charge and funding costs.</u> 	<ul style="list-style-type: none"> Variation during the period when the extreme market variation is observed is added to the stress scenario as a historical scenario. See appendix for setting up of stress scenario. JSCC shall pay the fail charge to a receiving Clearing Participant if the delivery is failed due to default of Clearing Participant.
4. Other			
(1) FOS Settlement	<ul style="list-style-type: none"> With respect to the FOS Settlement currently in effect, the paying Clearing Participant shall pay the money to JSCC by 10:00A.M. and the receiving Clearing Participant shall receive the money from JSCC after 11:00 A.M. 	<ul style="list-style-type: none"> With respect to the FOS Settlement currently in effect, the paying Clearing Participant shall pay the money to JSCC by 10:00A.M. and the receiving Clearing Participant shall receive the money from JSCC after <u>10:30 A.M.</u> 	<ul style="list-style-type: none"> Treatment in association with the change of deposit deadline of Initial Margin and Clearing Fund.

End of Document

Treatment of Market Price Fluctuation Risk Factor for Inflation-Indexed Bonds

- In the calculation of Initial Margin Amount to Cover Market Price Fluctuation Risk, when obtaining Market Price Fluctuation Risk Factor, in addition to market price fluctuation risks that are considered when calculating such margin for other Japanese government bonds, fluctuation risk of Indexation Coefficient shall also be considered. Specifically, the sum of the value to cover fluctuation of market price for the holding period (3 business days) (① below) and the value to cover fluctuation of Indexation Coefficient (② below) shall be the Market Price Fluctuation Risk Factor for each issue of Inflation-Indexed Bonds.

① Value determined by JSCC as the level to cover 99% of the 3-day fluctuation ratio of daily unit price by issue (unit price (average) of Statistical Reference Price published by the Japan Securities Dealers Association as of the next day following the calculation day) during the period of past 250 days.

② Value obtained by multiplying the largest fluctuation (absolute value) of Indexation Coefficient(*) during 3 day period from the first day of Market Price Fluctuation Risk Factor application period to the 3rd business day following the last day of the application period (hereinafter referred to as “Indexation Coefficient Fluctuation Cover Value”) by the market price for regular transfer day.

< Calculation Example of Market Price Fluctuation Risk Factor (“RF”) Calculation Day and Change in Indexation Coefficient Fluctuation Cover Value >

Sun.	Mon.	Tue.	Wed.	Thu.	Fri.	Sat.
7/26	27	28	29	30	31	8/1
				RF Calc. Day		
2	3 (S)	4 (S+1)	5	6	7(E)	8
RF Application Period (S to E)						
Indexation Coefficient Observation Period (S to E+3)						
Indexation Coefficient	0.99970	1.00000	1.00030	1.00060	1.00090	
9	10	11	12(E+3)	13	14	15
Indexation Coefficient Observation Period (S to E+3)						
Indexation Coefficient	1.00180	1.00140	1.00100			

↔ : Check difference of these 2 figures

➤ Indexation Coefficient Fluctuation Cover Value to be used for calculation of Market Price Fluctuation Risk Factor as of July 30 shall be the fluctuation from Aug. 5 to Aug. 10, i.e., “0.0015”.

(*) If Indexation Coefficient has not been fixed for any day during the covered period, the value obtained by JSCC by liner extrapolation shall be deemed as Indexation Coefficient for the day to obtain Indexation Coefficient Fluctuation Cover Value.

Specific Level of Initial Margin Increase according to Creditworthiness

* Underlined parts represent changes from current version.

Trigger Level for Initial Margin Increase	Specific Increase Amount
○ If creditworthiness of Clearing Participant is judged below A- or equivalent rating by all rating agencies (*1, 2) (*3)	<u>Greater of 10% of Required Initial Margin Amount and 10 % of expected loss related to fail charge and funding costs</u> (*6, 7)
○ If creditworthiness of Clearing Participant is judged below BBB+ or equivalent rating by all rating agencies (*1, 2) (*3)	<u>Greater of 50% of Required Initial Margin Amount and 50 % of expected loss related to fail charge and funding costs</u> (*6, 7)
○ If creditworthiness of Clearing Participant is judged below BBB or equivalent rating by all rating agencies (*1, 2) (*3)	<u>Greater of 100% of Required Initial Margin Amount and 100 % of expected loss related to fail charge and funding costs</u> (*6, 7)
○ If creditworthiness of Clearing Participant is judged below A- or equivalent rating by any of the rating agencies (*1, 2), and at the same time capital-to-risk ratio is below certain level or the like (250% for capital-to-risk ratio, 10% for capital adequacy ratio when the international standards are applied, 5% for capital adequacy ratio when the domestic standards are applied, and 500% for solvency margin ratio). (*3, 4, 5)	<u>Greater of 10% of Required Initial Margin Amount and 10 % of expected loss related to fail charge and funding costs</u> (*6, 7)
○ If creditworthiness of Clearing Participant is judged below BBB+ or equivalent rating by any of the rating agencies (*1, 2), and at the same time capital-to-risk ratio is below certain level or the like (250% for capital-to-risk ratio, 10% for capital adequacy ratio when the international standards are applied, 5% for capital adequacy ratio when the domestic standards are applied, and 500% for solvency margin ratio). (*3, 4, 5)	<u>Greater of 50% of Required Initial Margin Amount and 50 % of expected loss related to fail charge and funding costs</u> (*6, 7)
○ If creditworthiness of Clearing Participant is judged below BBB or equivalent rating by any of the rating agencies (*1, 2), and at the same time capital-to-risk ratio is below certain level or the like (250% for capital-to-risk ratio, 10% for capital adequacy ratio when the international standards are applied, 5% for capital adequacy ratio when the domestic standards are applied, and 500% for solvency margin ratio). (*3, 4, 5)	<u>Greater of 100% of Required Initial Margin Amount and 100 % of expected loss related to fail charge and funding costs</u> (*6, 7)

(*1) In case no rating is obtained by the target clearing participant, rating of their parent company, etc. will be used. (In case rating is obtained neither by the target participant nor by their parent company, etc., rating of an entity in their group, etc. will be used instead.) In such a case, stipulation for an entity of one-notch higher rating will be applied to them.

(*2) Rating used herewith represents the rating concerning the debt service capacity for long-term debt, given by any of the “credit rating agencies” as stipulated by the Financial Instruments &

Exchange Act (specifically per Article 2-36 of the Act: They are currently represented by such entities as Japan Credit Rating Agency, Moody’s Japan, Moody’s SF Japan, Standard & Poor’s Rating

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Services Japan [SPJ], Rating & Investment Information, Fitch Ratings Japan, Nippon Standard & Poor's [NSP]) or by any of its specified affiliated companies (per Article 116-3-2 of the Cabinet Ordinance concerning Financial Instruments Business, etc.) (but not including any of the so-called non-solicited arbitrary ratings).

(*3) In each individual case, credit judgment shall be made in a comprehensive manner, not merely based on the rating criteria, but also comparing the market information of the target clearing participant (CB spread, CDS spread, stock price, etc.) with that of a company of the same rating level, as well as taking into account such other information as whether there has not been any abrupt change lately, whether there has not been any significant decline in important financial parameters (liquidity at hand, etc.), any peculiar change in position of the said participant, and so forth.

(*4) When a securities finance company or a tanshi company (money market broker) faces a similar situation, same measure shall be taken for them too.

(*5) In case of a special financial instruments business operator, their credit standing shall be judged by capital-to-risk ratio or by consolidated capital-to-risk ratio.

(*6) The expected loss amount related to fail charge and funding costs shall be the total amount of (x) the amount equivalent to the fail charge expected to arise on an assumption of fail related to all delivering positions of which settlement day arrives during the period of 3 business days from the next day following the Required Initial Margin Amount calculation day occurring for the period of such consecutive 3 business days and (y) the amount equivalent to costs for the obligated fund provision expected to arise on an assumption of carrying out the obligated fund provision for liquidation of all receiving positions of which settlement day arrives during the period of 3 business days from the next day following the Required Initial Margin Amount calculation day.

(*7) Actual amount of increase shall be determined by referencing the financial condition (liquidity at hand, etc.) and the position data or so of the target participant, but not exceeds the amount specified.

Stress Scenarios for Calculation of Required Amount of Clearing Fund

For calculation of the required amount of Clearing Fund, 120 stress scenarios generated as combinations of thirty scenarios shown in (1), two scenarios in (2) and two scenarios in (3) below are to be used.

(1) 30 stress scenarios based on principal component analysis and historical scenarios applied to Fixed-Rate Coupon JGB and Discount Bills

1 6 stress scenarios based on principal component analysis

- Extract the characteristics of yield curve fluctuations from historical data and determine the forms of yield curves that will be used for stress scenarios^(Note 1)
- After having determined the forms of those yield curves, the change in value in each yield curve will be defined using the largest fluctuation range in the past five days for a bond with a remaining maturity with the highest liquidity (7 years).

2 24 stress scenarios based on historical scenarios [introduced associated with Shortening of JGB Settlement Cycle]

- Among each period of 12 events that created stressed condition since 1989, determine the five days fluctuation especially with large fluctuation of interest (yield on 10 year JGB) or yield curve (identify 1 to 3 scenarios for each event).
- After having determined the days for scenarios, the ones converted to volatility on the calculation day of clearing fund will be defined as 24 stress scenarios.

(2) Two stress scenarios based on market impact charge applied to Floating-Rate Coupon JGB

- Extract the largest change in unit price of Floating-Rate Coupon JGB (Rise / Fall) since JGBCC started clearing services for JGB OTC Transactions in May 2005.
- Extract the largest value of divergence (upward/downward) between the contract price of an offsetting trade and the market price in the wake of the Lehman crisis.
- Combine the changes in unit price and the divergences of contract price outlined above in the manner as shown in the table below and add or subtract them to/from market prices to generate stress scenarios (stress prices).

(3) Two stress scenarios based on historical scenarios applied to Inflation-Indexed JGB^(Note 2) [introduced associated with the Clearing Business to Cover Inflation-Indexed JGB]

- Of each period of 2 events that created stressed condition since the restart of Inflation-Indexed JGB issuance, determine the five days fluctuation especially with large change in unit price of Inflation-Indexed JGB (Issue No. 17 and subsequent issues).
- After having determined the days for scenarios, the ones converted to volatility on the calculation day of clearing fund will be defined as 2 stress scenarios.

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(Note 1) The characteristics of yield curve fluctuations are extracted using the method of principal component analysis based on the market data.

(Note 2) After having started the clearing for Inflation-Indexed JGB, introduction of forward looking approach will be considered taking accumulation of market data and further discussion on how to stress into consideration.

Historical scenarios assumed at the beginning of the scheme in (1) 2

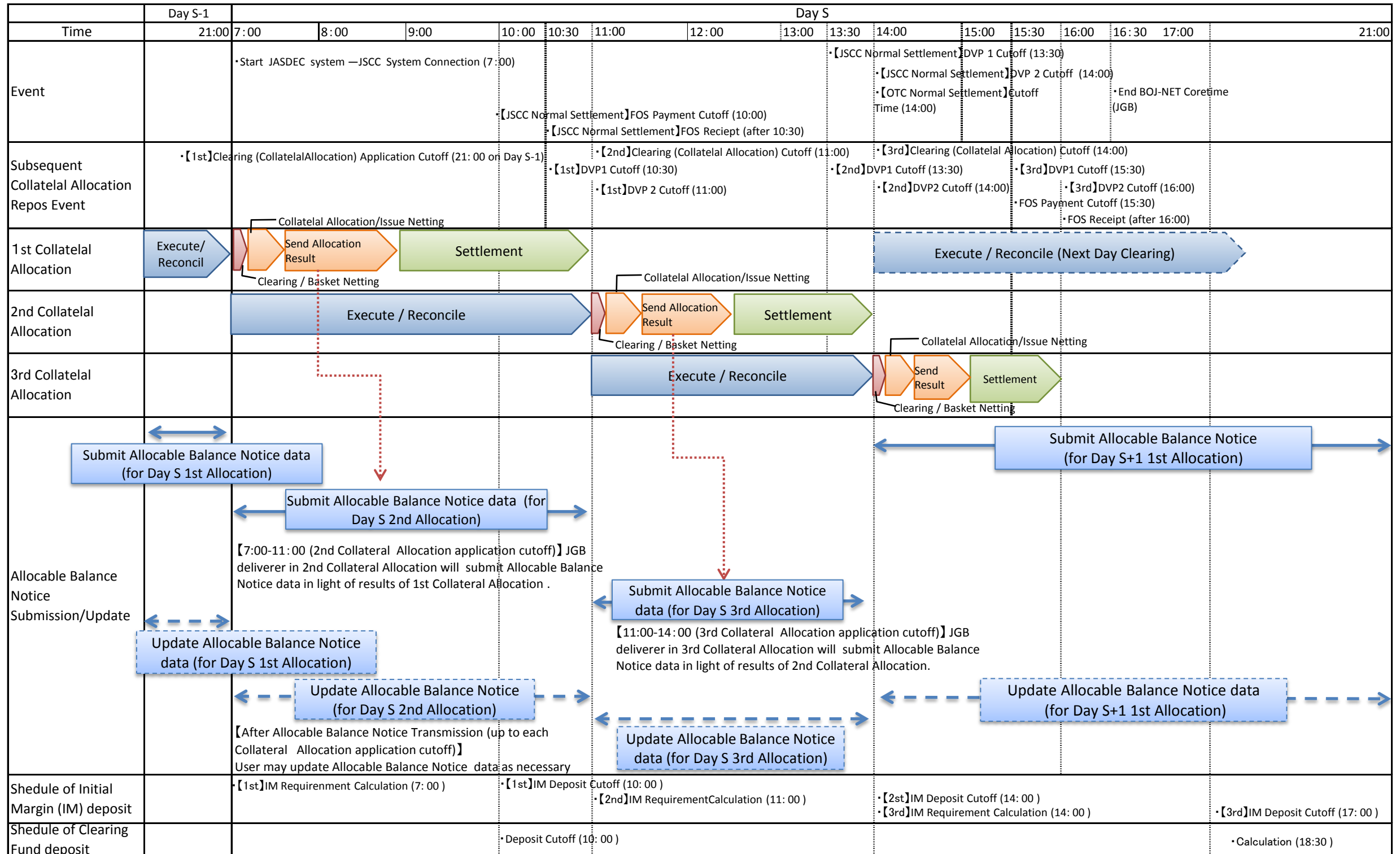
Events	Timing
Rise in official discount rate	Around December 1989
Total volume control	Around March 1990
Rise in official discount rate	Around August 1990
Selling operation by MoF	Around January 1994
Trust Fund Bureau Shock	Around December 1998
Ceasing of Zero-interest rates by BoJ	Around August 2000
VaR Shock	Around July 2003
Lehman Shock	Around September 2008
Quantitative and qualitative monetary easing by BoJ	Around April 2013
CHF Shock	Around January 2015
Negative interest rate by BoJ	Around January 2016
Announcement of Comprehensive Assessment by BoJ	Around July 2016

Historical scenarios assumed at the beginning of the scheme in (3)

Events	Timing
BoJ Halloween Easing	Around November 2014
Start of negative interest rate	Around February 2016

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【Time Schedule】



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Revision of Default Management, etc. associated with Shortening of Japanese Government Bonds Settlement Cycle

Item	Description	Remarks
1. Introduction of Basket Auction	<ul style="list-style-type: none"> • Basket Auction shall cover the basket positions as of default determination date out of positions of defaulting Clearing Participants due to Subsequent Collateral Allocation Repos. • All JSCC non-defaulting Clearing Participants may bid in basket auction, and such participants are not obliged to place bids. • JSCC shall present details of trades subject to the auction to all Clearing Participants. Any Clearing Participant who desires to place a bid may do so for each basket. • A basket auction shall become successful if the amount of losses fixed by the successful bid prices does not exceed the predetermined amount of financial resources for loss compensation. When an auction becomes successful, Subsequent Collateral Allocation Repos transaction corresponding to each basket subject to such auction shall be concluded between the successful bidder Clearing Participant and JSCC. • The determination of successful bidder Clearing Participant will be carried out for each basket until the Repo rates from the bidder Clearing Participant in the order of preference for JSCC satisfy the subject amount. If more than one Clearing Participants submit the same Repo rate, the successful bidder Clearing Participant will be determined by lottery. • JSCC shall hold a basket auction next day for basket positions for which the auction was unsuccessful. 	<ul style="list-style-type: none"> • See Appendix 1 and Appendix 2 for the list of auctions after the Shortening of JGB Settlement Cycle and standard schedule relating to Default Settlement. • The Subsequent Collateral Allocation Repos transaction for which the next day of bid is the start date and end date of subject position is the end date shall become successful due to successful basket auction. • Basket position of the successful bidder Clearing Participant arising out of successful basket auction shall be netted by basket with cleared basket position of the successful bidder Clearing Participant.
2. Revision of Positions subject to First-stage Auction	<ul style="list-style-type: none"> • The positions to which individual issue is allocated on the default determination date out of positions arising from the Subsequent Collateral Allocation Repos shall be added to the positions subject to First-stage Auction. 	
3. Revision of Positions subject	<ul style="list-style-type: none"> • The positions to which individual issue is allocated on the next day of default 	

Item	Description	Remarks
to Second-stage Auction	determination date out of positions for which basket auction was unsuccessful shall be added to the positions subject to Second-stage Auction.	

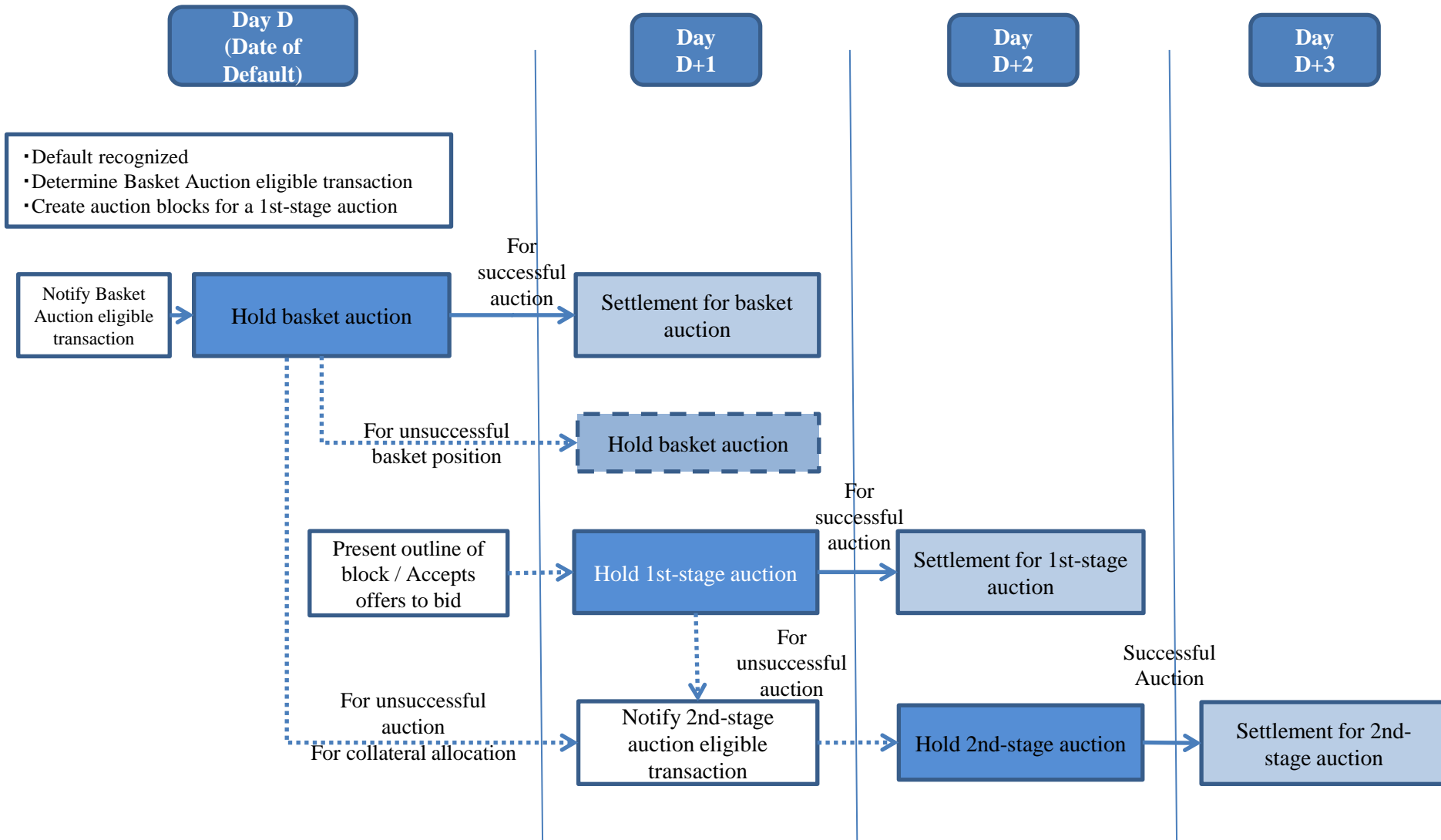
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List of auctions after the Shortening of JGB Settlement Cycle

	Basket Auction	First-stage Auction	Second-stage Auction
Positions subject to process	<ul style="list-style-type: none"> Basket positions out of Subsequent Collateral Allocation Repos transaction 	<ul style="list-style-type: none"> Positions arising from Buying and Selling and Repo transaction Positions to which the individual issue had been allocated out of Subsequent Collateral Allocation Repos 	<ul style="list-style-type: none"> Positions for which First-stage auction was unsuccessful Positions to which the individual issue had been allocated on the next day of unsuccessful basket auction
Transactions subject to bidding	Subsequent Collateral Allocation Repos (for which the next day of bid is start date and end date of subject position is end date)	Buying and Selling with Repo (Buying and Selling for which the next day of bidding date is settlement date and Repo transactions for which the next day of bidding date is starting date, and the settlement date of positions subject to process is end date).	
Bidding Unit	By basket and by end date	By auction block	By single-issue
Date of Bidding	Default determination date	Next day of Default determination date	Day after next day of Default determination date
Eligible Bidder	All non-defaulting clearing participants	Specific clearing participants (*)	All non-defaulting clearing participants
Details of Bidding	Bidding price (Starting Buying and Selling price) / Repo rate	Bidding amount / Unit of bidding	Bidding price / Face value of Bidding
Settlement Cut-off time	—	Settlement between delivering Clearing Participant and JSCC 13:30 (10:30 for settlement relating to Subsequent Collateral Allocation Repos) Settlement between JSCC and receiving Clearing Participant 14:00	
Bidding Method	Determine in the order of preference of Repo rate	Determine in the order from lower bidding price per unit	Determine in the order from lower bidding price per unit
Resources	Collateral of defaulting Clearing Participant and First Tier Settlement Guarantee Reserve		Resources of First-stage auction and surplus, Clearing Fund of non-defaulting Clearing Participant and Second Tier Settlement Guarantee Reserve

(*) Clearing Participants relevant to the companies account for top 80% of recent clearing amount out of financial instruments business operators who are JGB Market specific market participants (primary dealers)

Example of Typical Default Management Schedule after Shortening of JGB Settlement Cycle



Scheme for Obligated Fund Provision after Shortening of JGB Settlement Cycle

When a Clearing Participant fails or is deemed by JSCC to be likely to fail to perform its obligations against JSCC, JSCC may, in acquiring liquid funds in order to perform its obligations against Clearing Participants other than such failed Clearing Participant, acquire required funds through Repo Transactions with Clearing Participants and Clearing Participants must become counterparty to such Repo Transactions (such funding method is hereinafter referred to as “Obligated Fund Provision”).

1. Obligated Fund Provision after Shortening of JGB Settlement Cycle

JSCC shall establish intraday determination times relating to Obligated Fund Provision three times a day as follows, in light of the feature of Subsequent Collateral Allocation Repos introduced associated with Shortening of JGB Settlement Cycle (increase, etc. in intraday unsettled balance associated with increase in the number of clearing) and carry out the Obligated Fund Provision at notified time if the fund provision is necessary at such determination times due to default or failure of settlement of Clearing Participants.

(1) Obligated Fund Provision at the time of default determination

	(i)	(ii)	(iii)	< Reference > Current status
Default recognition time	Between 4:00 p.m. of previous day and 11:00 a.m.	Between 11:00 a.m. and 2:00 p.m.	Between 2:00 p.m. and 4:00 p.m.	—
Determination time (in principle)	Noon	1:30 p.m.	3:30 p.m.	As soon as possible after default recognition
Notification time (in principle)	Noon	2:00 p.m.	4:00 p.m.	Same as above

(Note) If the fund provision is needed on or after the next day of default recognition date, Obligated Fund Provision shall be held by noon in principle.

(2) Obligated Fund Provision at emergence of concern over settlement default due to system failure, etc.

	(i)	(ii)	(iii)	< Reference > Currently
Settlement status	In case concern over settlement default emerged on or before noon and has not been resolved as of noon	In case concern over settlement default emerged on or after noon and it is possible that it will not be resolved as of 2:00 p.m.	In case concern over settlement default emerged on or after 2:00 p.m. and it is possible that it will not be resolved as of 4:00 p.m.	In case concern over settlement default emerged on or before 11:00 a.m. and it is possible that it will not be resolved as of 11:00 a.m.
Determination time (in principle)	Noon	1:30 p.m.	3:30 p.m.	11:00 a.m.
Notification time (in principle)	Noon	1:30 p.m.	3:30 p.m.	11:00 a.m.

(Note) If the concern over settlement default due to system failure, etc is not resolved all day or collateral allocation of Subsequent Collateral Allocation Repos was carried forward, Obligated Fund Provision may be held more than once.

2. Ending Transaction Settlement Cutoff Time with respect to Obligated Fund Provision

The Settlement Cutoff Time for JGB that JSCC receives on Ending Transaction delivery day based on Repo transaction with respect to Obligated Fund Provision shall be 10:30 a.m. (same as Settlement Cutoff Time for DVP1 of first transaction of Subsequent Collateral Allocation Repos).

3. Upper limit of face value for each settlement of JGB DVP with respect to Obligated Fund Provision

Clearing Participants may select in advance that the upper limit of face value for each settlement of JGB DVP with respect to Obligated Fund Provision shall not be 5 billion yen in order to improve efficiency of clerical work of DVP settlement with respect to Obligated Fund Provision.

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Fee Structure after Shortening of Settlement Period

	(Reference) Current Fees	Fees after Shortening of Settlement Period	Remarks																																																														
1. Account Management Fee	1. For each netting account: 500,000 yen per month * If a Clearing Participant opens multiple netting accounts, it shall be 200,000 yen per month from second account.	1. For each netting account: 1,800,000 yen per month * If a Clearing Participant opens multiple netting accounts, it shall be 100,000 yen per month from second account.																																																															
2. Obligation Assumption Fee	<p>(1) Buying and Selling of Japanese Government Bonds</p> <p>The amount of money to be paid/received on the buying/selling settlement day (referred to as “Assumption of Obligation Amount”) multiplied by the rate specified in either A) or B) below according to the type of JGBs as specified therein:</p> <table><tr><th></th><th>Rate</th></tr><tr><td>A) Treasury discount bills</td><td>0.0005/10,000</td></tr><tr><td>B) Japanese government bonds other than those specified in A) above</td><td>0.002/10,000</td></tr></table> <p>(2) Cash-secured Bond Lending Transactions / Repo Transactions</p> <p>The amount of money to be paid/received for Ending Transaction (referred to as “Assumption of Obligation Amount”) multiplied by the rate specified in either A) or B) below according to the type of transaction as specified therein:</p> <table><tr><th></th><th>Rate</th></tr><tr><td>A) Overnight transactions</td><td>0.0001/10,000 multiplied by the number of days in the lending period or transaction period</td></tr><tr><td>B) Transactions other than those specified in A) above</td><td>0.001/10,000</td></tr></table>		Rate	A) Treasury discount bills	0.0005/10,000	B) Japanese government bonds other than those specified in A) above	0.002/10,000		Rate	A) Overnight transactions	0.0001/10,000 multiplied by the number of days in the lending period or transaction period	B) Transactions other than those specified in A) above	0.001/10,000	<p>(1) Buying and Selling of Japanese Government Bonds</p> <p>The amount of money to be paid/received on the buying/selling settlement day (referred to as “Assumption of Obligation Amount”) multiplied by the rate specified in A) or B) below according to the type of JGBs and the Assumption of Obligation Amount per month:</p> <table><tr><th></th><th>Assumption of Obligation Amount</th><th>Rate</th></tr><tr><td rowspan="5">A) Treasury discount bills</td><td>Up to 200bil yen per month</td><td>0.002/10,000</td></tr><tr><td>More than 200bil yen up to 400bil yen per month</td><td>0.0015/10,000</td></tr><tr><td>More than 400bil yen up to 1tril yen per month</td><td>0.001/10,000</td></tr><tr><td>More than 1tril yen up to 3tril yen per month</td><td>0.00075/10,000</td></tr><tr><td>More than 3tril yen per month</td><td>0.0003/10,000</td></tr><tr><td rowspan="5">B) Japanese government bonds other than those specified in A) above</td><td>Up to 1tril yen per month</td><td>0.004/10,000</td></tr><tr><td>More than 1tril yen up to 2tril yen per month</td><td>0.003/10,000</td></tr><tr><td>More than 2tril yen up to 4tril yen per month</td><td>0.002/10,000</td></tr><tr><td>More than 4tril yen up to 7tril yen per month</td><td>0.0015/10,000</td></tr><tr><td>More than 7tril yen per month</td><td>0.0006/10,000</td></tr></table> <p>(2) Cash-secured Bond Lending Transactions / Repo Transactions</p> <p>The amount of money to be paid/received for Ending Transaction (referred to as “Assumption of Obligation Amount”) multiplied by the rate specified in A) or B) below according to the type of transaction and the Assumption of Obligation Amount per month(*):</p> <table><tr><th></th><th>Assumption of Obligation Amount</th><th>Rate</th></tr><tr><td rowspan="5">A) Overnight transactions</td><td>Up to 20tril yen per month</td><td>0.0003/10,000</td></tr><tr><td>More than 20tril yen up to 30tril yen per month</td><td>0.00018/10,000</td></tr><tr><td>More than 30tril yen up to 50tril yen per month</td><td>0.00009/10,000</td></tr><tr><td>More than 50tril yen up to 100tril yen per month</td><td>0.00006/10,000</td></tr><tr><td>More than 100tril yen per month</td><td>0.00003/10,000</td></tr><tr><td rowspan="5">B) Transactions other than those specified in A) above</td><td>Up to 1.5tril yen per month</td><td>0.003/10,000</td></tr><tr><td>More than 1.5tril yen up to 2.5tril yen per month</td><td>0.0018/10,000</td></tr><tr><td>More than 2.5tril yen up to 5tril yen per month</td><td>0.0009/10,000</td></tr><tr><td>More than 5tril yen up to 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See Annex 18 for fees related to Inflation-Indexed JGB.The contracts of baskets that contain Repo transactions with respect to Inflation-Indexed JGB and Inflation-Indexed JGB in Subsequent Collateral Allocation Repos shall be excluded. See Annex 18 for fees related to baskets that contain Inflation-Indexed JGB and Inflation-Indexed JGB in Subsequent Collateral Allocation Repos.
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	(Reference) Current Fees	Fees after Shortening of Settlement Period	Remarks												
		<p>* For overnight transactions, it shall be the amount obtained by multiplying the Assumption of Obligation Amount by the number of days within the lending period or transaction period, as applicable.</p>													
3. Collateral Allocation Fee		<p>(1) Collateral Allocation Fee for each Collateral Allocation</p> <p>The amount of money^{*1} to be paid/received in relation to Starting/Rewind Obligation^{*2} subject to collateral allocation multiplied by following rate:</p> <table><tr><th>Amount of Money to be paid/received in relation to Starting/Rewind Obligation</th><th>Rate</th></tr><tr><td>Up to500bil yen per month</td><td>0.0036/10,000</td></tr><tr><td>More than 500bil yen up to 2.5tril yen per month</td><td>0.0032/10,000</td></tr><tr><td>More than 2.5tril yen up to 10tril yen per month</td><td>0.0028/10,000</td></tr><tr><td>More than 10tril yen up to 15tri yen per month</td><td>0.0018/10,000</td></tr><tr><td>More than 15tril yen per month</td><td>0.0005/10,000</td></tr></table> <p>^{*1} Applicable only to Clearing Participants who will become JGB deliverers as a result of the basket netting.</p> <p>^{*2} Includes the obligations deferred from previous collateral allocation.</p> <p>(2) Excess Allocation Fee</p> <p>An amount equal to the product of (i) number of cases where the collateral allocation outside of scope of allocable quantity has been conducted due to shortage of allocable quantity in the 3rd allocation, and (ii) 50,000 yen.</p>	Amount of Money to be paid/received in relation to Starting/Rewind Obligation	Rate	Up to500bil yen per month	0.0036/10,000	More than 500bil yen up to 2.5tril yen per month	0.0032/10,000	More than 2.5tril yen up to 10tril yen per month	0.0028/10,000	More than 10tril yen up to 15tri yen per month	0.0018/10,000	More than 15tril yen per month	0.0005/10,000	<ul style="list-style-type: none">• New fee item adopted in association with introduction of Subsequent Collateral Allocation Repo. Successful transactions through basket auction are also eligible.• When the Clearing Participant has two or more netting accounts, the amount to be paid/received shall be the total of amount to be paid/received of each netting account.• When the Inflation-Indexed JGB is allocated for amount to be paid/received, market value of such Inflation-Indexed JGB shall be excluded. See Annex 18 for fees related to Inflation-Indexed JGB.• JSCC will not charge the fee described in (2) for the time being. Necessity and fee level will be revisited at a certain point in time (approx. 6 months) after introduction of Subsequent Collateral Allocation Repos.
Amount of Money to be paid/received in relation to Starting/Rewind Obligation	Rate														
Up to500bil yen per month	0.0036/10,000														
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4. Balance Management Fee	<p>Balance management fee on each settlement day, etc.</p> <p>＝Total amount of Money Settlement Obligations* between each Clearing Participant and JSCC with the same settlement day, etc.</p> <p>×Number of days to the day immediately preceding the next business day÷365×0.09/10,000</p> <p>* The Money Settlement Obligations shall be limited to those relating to Transactions Subject to Clearing whose settlement day, etc. arrives on or after the second (2nd) day from the calculation day.</p>	<p>Balance management fee</p> <p>＝Monthly total of amount subject to fee calculation on settlement day^{*1} × Rate specified below.</p> <p>^{*1} The amount subject to fee calculation on settlement day = Total amount of Money Settlement Obligations^{*2} between each Clearing Participant and JSCC with the same settlement day, etc.</p> <p>×Number of days to the day immediately preceding the next business day÷365</p> <p>^{*2} The Money Settlement Obligations shall be limited to those relating to Transactions Subject to Clearing whose settlement day, etc. arrives on or after the second (2nd) day from the calculation day.</p>	<ul style="list-style-type: none">• Successful transactions through default auction are also eligible.• When the Clearing Participant has two or more netting accounts, the amount subject to fee calculation shall be the total of amount subject to fee calculation of each netting account.• The amount of Money Settlement Obligations shall be the offset amount between Ending/Unwind positions												

	(Reference) Current Fees	Fees after Shortening of Settlement Period	Remarks								
		<table><tr><th>Amount subject to Fee Calculation</th><th>Rate</th></tr><tr><td>Up to 200bil yen per month</td><td>0.033/10,000</td></tr><tr><td>More than 200bil yen up to 300bil yen per month</td><td>0.031/10,000</td></tr><tr><td>More than 300bil yen per month</td><td>0.029/10,000</td></tr></table>	Amount subject to Fee Calculation	Rate	Up to 200bil yen per month	0.033/10,000	More than 200bil yen up to 300bil yen per month	0.031/10,000	More than 300bil yen per month	0.029/10,000	(excluding the part for which collateral had been allocated) and Starting/Rewind positions of the Subsequent Collateral Allocation Repos with the same settlement day, etc.
Amount subject to Fee Calculation	Rate										
Up to 200bil yen per month	0.033/10,000										
More than 200bil yen up to 300bil yen per month	0.031/10,000										
More than 300bil yen per month	0.029/10,000										
5. Settlement Day Management Fee	Settlement day management fee on each settlement day, etc. (settlement day for buying/selling transaction and Ending Transaction delivery day) =Total transaction amount of Transactions Subject to Clearing relating to obligations with the same settlement day, etc. assumed each day from each Clearing Participant × Number of excess days to settlement day, etc. ÷365×0.015/10,000 * The number of days from the day immediately following the third (3rd) day from the calculation day to the settlement day, etc.	Settlement day management fee on each settlement day, etc. (settlement day for buying/selling transaction and Ending Transaction delivery day) =Total transaction amount* ¹ of Transactions Subject to Clearing relating to obligations with the same settlement day, etc. assumed each day from each Clearing Participant × Number of excess days to settlement day, etc.* ÷365×0.015/10,000 * The number of days from the day immediately following the <u>second (2nd) day</u> from the calculation day to the settlement day, etc.	· Underlined part is a change associated with the change of Regular Transfer Day due to shortening of settlement cycle.								
6. DVP Settlement Fee	200 yen per book-entry transfer of Japanese government bonds involving DVP Settlement	150 yen per book-entry transfer of Japanese government bonds involving DVP Settlement	· DVP Settlements in relation to successful transactions through default auction are also eligible.								
7. Collateral Management Fee	200 yen per account transfer for refund of Initial Margin or Clearing Fund	200 yen per account transfer for refund of Initial Margin or Clearing Fund									
8. Web Terminal Usage Fee	10,000 yen per User ID per month	10,000 yen per User ID per month									
9. Certificate Issuance Fee	3,000 yen per copy of Initial Margin balance certificate, JGB OTC Clearing Fund balance certificate, Variation Margin balance certificate and Web Terminal related registration information certificate	3,000 yen per copy of Initial Margin balance certificate, JGB OTC Clearing Fund balance certificate, Margin balance at Default certificate, Special Clearing Charge Collateral balance certificate, Variation Margin balance certificate and Clearing Participant Web Terminal related registration information certificate									
10. Maximum Amount of Fees	<table><tr><td>(1) Principal Clearing Participant</td><td>5mil yen per month</td></tr><tr><td>(2) Agency Clearing Participant</td><td>5mil yen per month plus the obligation assumption fee relating to Brokerage for Clearing of Securities, etc.</td></tr></table>	(1) Principal Clearing Participant	5mil yen per month	(2) Agency Clearing Participant	5mil yen per month plus the obligation assumption fee relating to Brokerage for Clearing of Securities, etc.	(Abolished)					
(1) Principal Clearing Participant	5mil yen per month										
(2) Agency Clearing Participant	5mil yen per month plus the obligation assumption fee relating to Brokerage for Clearing of Securities, etc.										

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Fee related to Inflation-Indexed Bonds

1. Fee Rate

- For each of (1) Obligation Assumption Fee for Buying and Selling, (2) Obligation Assumption Fee for Cash-Secured Bond Lending Transactions and Repo Transactions and (3) Fee related to Collateral Allocation, Rate Type A and Rate Type B that are unique to Inflation-Indexed Bonds will be set respectively. Clearing Participants may make selection of fee rate type according to the type of Transaction subject to Clearing which they handle for each of the fees (1) through (3).
 - As to buying and selling, the Clearing Participants which made selection of either Rate Type A or Rate Type B for (1) mentioned below may apply for an assumption of obligations for a transaction involving Inflation-Indexed Bonds (if neither rate type is selected, the Clearing Participant may not apply for an assumption of obligations for a transaction involving Inflation-Indexed Bonds).
 - As to Cash-Secured Bond Lending Transactions and Repo Transactions (including Subsequent Collateral Allocation Repos), the Clearing Participants which made selection of either Rate Type A or Rate Type B for (2) mentioned below may apply for an assumption of obligations for a transaction involving Inflation-Indexed Bonds (if neither rate type is selected, the Clearing Participant may not apply for an assumption of obligations for a transaction involving Inflation-Indexed Bonds).
 - As to Subsequent Collateral Allocation Repos, the Clearing Participants which made selection of either Rate Type A or Rate Type B for (3) mentioned below may include the Inflation-Indexed Bonds in Allocable Balance Notice (if neither rate is selected, the Clearing Participant may not include the Inflation-Indexed Bonds in Allocable Balance Notice).
 - Under Rate Type A, fixed charge is set at relatively high level while metered rate is set at relatively low level, and under Rate Type B, fixed charge is set at relatively low level while metered rate is set at relatively high level.

(1) Obligation Assumption Fee for Buying and Selling

Amount obtained by multiplying Assumption of Obligation Amount (amount of money to be paid/received on the buying and selling settlement day) by the rate stipulated below (metered rate for Inflation-Indexed Bonds); provided, however, in respect of the Inflation-Indexed Bonds the Fixed Charge shall be added to the amount so obtained

Other Japanese Government Bonds (*excluding Treasury Discount Bills)			Inflation-Indexed Bonds			
Current	After Shortening of JGB Settlement Cycle		Rate Type A		Rate Type B	
	Assumption of Obligation Amount	Rate	Fixed Charge	Metered Rate	Fixed Charge	Metered Rate
0.002/10,000	Up to 1 tril yen per month	0.004/10,000	<u>1 mil yen</u> (monthly)	<u>0.04/10,000</u>	<u>100,000 yen</u> (monthly)	<u>0.16/10,000</u>
	More than 1 tril yen but up to 2 tril yen per month	0.003/10,000				
	More than 2 tril yen but up to 4 tril yen per month	0.002/10,000				
	More than 4 tril yen but up to 7 tril yen per month	0.0015/10,000				
	More than 7 tril yen per month	0.0006/10,000				

(*) Fee description for Treasury Discount Bills is omitted in this material.

(2) Obligation Assumption Fee for Cash-Secured Bond Lending Transactions and Repo Transactions

Amount obtained by multiplying the assumption of obligation amount (meaning the amount to be paid/received on the Ending Transaction delivery day)(*1) by the rate (metered rate for Inflation-Indexed Bonds) set for each transaction in below a. and b.; provided, however, in respect of the Inflation-Indexed Bonds, the Fixed Charge shall be added to the amount so obtained.

The same selected rate type shall apply to both of the transactions listed in a. and b.

(*1) In respect of the transactions listed in a., it shall be the amount obtained by multiplying the assumption of obligation amount by the number of days during the lending period or transaction period.

a. Overnight Transactions

Other Japanese Government Bonds			Inflation-Indexed Bonds (*2)			
Current	After Shortening of JGB Settlement Cycle		Rate Type A		Rate Type B	
	Assumption of Obligation Amount	Rate	Fixed Charge	Metered Rate	Fixed Charge	Metered Rate
0.0001/10,000	Up to 20 tril yen per month	0.0003/10,000	<u>300,000 yen</u> (monthly)	<u>0.0004/10,000</u>	<u>50,000 yen</u> (monthly)	<u>0.0015/10,000</u>
	More than 20 tril yen but up to 30 tril yen per month	0.00018/10,000				
	More than 30 tril yen but up to 50 tril yen per month	0.00009/10,000				
	More than 50 tril yen but up to 100 tril yen per month	0.00006/10,000				
	More than 100 tril yen per month	0.00003/10,000				

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(*2) For Subsequent Collateral Allocation Repos, these fees shall apply to the transaction covering the basket containing the Inflation-Indexed Bonds (including the case where other Japanese government bonds are allocated in the course of the collateral allocation). These fees shall apply to ⑤JGB Basket (Inflation-Indexed Bonds, Interest-bearing Bonds, Floating-rate Bonds, Treasury Discount Bills) among the baskets listed in Annex 2.

b. Transactions other than those specified in a.

Other Japanese Government Bonds			Inflation-Indexed Bonds (*3)			
Current	After Shortening of JGB Settlement Cycle		Rate Type A		Rate Type B	
	Assumption of Obligation Amount	Rate	Fixed Charge	Metered Rate	Fixed Charge	Metered Rate
0.002/10,000	Up to 1.5 tril yen per month	0.003/10,000	— <u>(Included in Rate Type A of Overnight Transaction)</u>	0.004/10,000	— <u>(Included in Rate Type B of Overnight Transaction)</u>	0.015/10,000
	More than 1.5 tril yen but up to 2.5 tril yen per month	0.0018/10,000				
	More than 2.5 tril yen but up to 5 tril yen per month	0.0009/10,000				
	More than 5 tril yen but up to 10 tril yen per month	0.0006/10,000				
	More than 10 tril yen per month	0.0003/10,000				

(*3) For Subsequent Collateral Allocation Repos, these fees shall apply to the transaction covering the basket containing the Inflation-Indexed Bonds (including the case where other Japanese government bonds are allocated in the course of the collateral allocation). These fees shall apply to ⑤JGB Basket (Inflation-Indexed Bonds, Interest-bearing Bonds, Floating-rate Bonds, Treasury Discount Bills) among the baskets listed in Annex 2.

(3) Fee related to Collateral Allocation

As a fee related to collateral allocation, the Inflation-Indexed Bonds allocation fee shall be established in addition to the collateral allocation fee.

Collateral allocation fee and Inflation-Indexed Bonds allocation fee shall be the amount obtained by multiplying the calculation base (*1)(*2) by the rate specified below (metered rate for Inflation-Indexed Bonds allocation fee); provided, however, in respect of the Inflation-Indexed Bonds allocation fee, the Fixed Charge shall be added to the amount so obtained.

Collateral Allocation Fee			Inflation-Indexed Bonds Allocation Fee			
Current	After Shortening of JGB Settlement Cycle		Rate Type A		Rate Type B	
	Calculation Base	Rate	Fixed Charge	Metered Rate	Fixed Charge	Metered Rate
—	Up to 500 bil yen per month	0.0036/10,000	<u>200,000 yen</u> (monthly)	<u>0.003/10,000</u>	<u>50,000 yen</u> (monthly)	<u>0.008/10,000</u>
	More than 500 bil yen, but up to 2.5 tril yen per month	0.0032/10,000				
	More than 2.5 bil yen, but up to 10 tril yen per month	0.0028/10,000				
	More than 10 bil yen, but up to 15 tril yen per month	0.0018/10,000				
	More than 15 tril yen per month	0.0005/10,000				

(*1) Calculation Base shall be the amount obtained in the following manner:

Collateral Allocation Fee: Amount of money paid/received related to Starting/Rewind Obligations subject to the collateral allocation (including those deferred from the previous allocation) less the market value of the Inflation-Indexed Bonds allocated to the Starting/Rewind Obligations;

Inflation-Indexed Bonds Allocation Fee: Market value of the Inflation-Indexed Bonds allocated to the Starting and Rewind Transactions.

(*2) Applicable only to the Clearing Participant who will become JGB deliverer as a result of the basket netting.

<Reference> : Collateral Allocation Fee and Inflation-Indexed Bonds Allocation Fee Calculation Example (monthly charge)

○Assumption

Selected Rate Type : Rate Type A

Amount paid/received in relation to Starting/Rewind Obligations: 1 tril yen

Market value of Inflation-Indexed Bonds allocated to Starting/Rewind Obligations: 500,000,030,000 yen

○Calculation

Collateral Allocation Fee : $(1 \text{ tril yen} - 500,000,030,000 \text{ yen}) \times 0.0036/10,000 = 179,999 \text{ yen}$

Inflation-Indexed Bonds Allocation Fee : $500,000,030,000 \text{ yen} \times 0.003/10,000 + 200,000 \text{ yen} = 350,000 \text{ yen}$

(4) Other Fees

- There will be no change in association with addition of the Inflation-Indexed Bonds to Transaction subject to Clearing.

2. Others

- When depositing Inflation-Indexed Bonds as substituting Japanese government bonds, the Clearing Participant must make selection of the fee rate type for at least one of the above fee categories.
- A Clearing Participant may change or cancel previously selected fee rate type effective as of April 1 of a year by giving notice of such effect by the end of February of the same year.
- Incentive and disincentive to promote utilization from the launch will be discussed going forward, including its necessity.

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