### 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 Amended on January 29, 2018 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 and coverage of Inflation-Indexed JGBs (June 21, 2017) taking the review of expected usage by Clearing Participants into account and summarize the revision of the scheme.

#### II. Introduction of Subsequent Collateral Allocation Repos

Item	Description	Remarks
1. Transaction Subject to		

Item	Description	Remarks
Clearing		
(1) Eligible Products	• Financial instruments subject to the Subsequent Collateral Allocation Repos are Japanese government bonds (excluding Japanese government bonds for retail investors).	<ul> <li>See Annex 1 for outline of the Subsequent Collateral Allocation Repos.</li> <li>Inflation-Indexed JGBs will be added to the coverage of clearing business. See III for details.</li> </ul>
<ul><li>(2) Eligible Transactions</li><li>(3) Backet</li></ul>	<ul> <li>Transactions subject to the Subsequent Collateral Allocation Repos are Repo Transactions satisfying the following criteria:</li> <li>a. Transaction designating the basket specified by JSCC;</li> <li>b. 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 arrives on or before the corresponding day after one (1) year from the contract day;</li> <li>c. The Ending Transaction delivery day arrives on or before the corresponding day after one (1) year from the contract day;</li> <li>d. As of the time of contracting, the Ending Transaction delivery day has been fixed;</li> <li>e. The delivery amount for the Starting Transaction and the Ending Transaction is less than 10 trillion yen;</li> <li>g. Repo Transaction with accrued interest;</li> <li>h. Transaction to which haircut does not apply; and</li> <li>j. For transactions facing a Trust Account, the fund code is identified.</li> <li>t. ISCC will set backets exectificing a score of issues out of which allocation is to be made in</li> </ul>	<ul> <li>The Subsequent Collateral Allocation Method is not introduced into Cash-secured Bond Lending Transactions.</li> <li>Same as current JGB OTC Transaction Clearing Business, except for a, b, e and j.</li> <li>See Anney 2 for the details of backet</li> </ul>
(3) Basket	• JSCC will set baskets specifying a scope of issues out of which allocation is to be made in	• See Annex 2 for the details of basket

Item	Description	Remarks
	the Subsequent Collateral Allocation Repos (hereinafter referred to as "Issues subject to	contents.
	Allocation").	• Review of baskets shall be the matter to
	Contents of baskets shall be reviewed periodically.	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.
	• 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.	
2. Clearing [Assumption		
of Obligations]	Clearing Dartisingsts may apply to ISCC for Clearing in respect of the Subsequent.	No new closering multification in
(1) Application for	Collectored Allocation Banas in the manner prescribed by ISCC provided however that as	• No new clearing qualification in
Cleaning	to backets containing Inflation Indexed ICR only the Clearing Participants who have	Colleteral Allocation Penos will be
	selected the fee rate types involving the Inflation Indexed IGB may apply for an	established
	assumption of obligations	• The manner prescribed by ISCC shall
	assumption of ourgations.	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

Item	Description	Remarks
Item	<ul> <li>Description</li> <li>A Clearing Participant shall apply for Clearing by specifying the following: <ul> <li>a. Name of delivering Clearing Participant and receiving Clearing Participant;</li> <li>b. Netting accounts of delivering Clearing Participant and receiving Clearing Participant;</li> <li>c. Fund code related to Transaction subject to Clearing (in respect of transactions involving Netting Account that is a Trust Account);</li> <li>d. Contracting day</li> <li>e. Basket;</li> <li>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;</li> <li>g. Starting Transaction delivery day and Ending Transaction delivery day; and</li> <li>h. In case of the transaction subject to Brokerage for Clearing of Securities, etc., such effect.</li> </ul> </li> </ul>	Remarks         made through an agent (same as current JGB OTC Transaction Clearing Business).         • 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).
(2) Clearing [Assumption of Obligations]	• Times (1) to start receiving application for Clearing, (2) application cutoff time and (3) when obligations are assumed are as follows:	

Item		Descript	ion		Remarks
		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	9:00 p.m. on	11:00 a.m. on	2:00 p.m. on	
	Timing of Clearing	7:00 a.m. on current day	11:00 a.m. on current day	2:00 p.m. on current day	
	• Upon receipt of an applic	ation for Clearing fro	m a Clearing Particu	nant_ISCC will assume	

• 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", the obligations set forth in c. and d. below shall be referred to as "Ending Obligations", the obligations set forth in f. and g. below shall be referred to as the "Unwind Obligations" and the obligations set forth in h. and i. below shall be referred to as "Rewind Obligations":

- 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

Item	Description	Remarks
	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	
	Ending Transaction delivery day owed by the delivering Clearing Participant against	
	the receiving Clearing Participant;	
	d. The obligation to deliver Allocated JGBs on the Ending Transaction delivery day owed	
	by the receiving Clearing Participant against the delivering Clearing Participant.	
	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.	
	f. The obligation to pay 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);, owed by	
	the delivering Clearing Participant to the receiving Clearing Participant.	
	g. The obligation of receiving Clearing Participant to deliver the Allocated JGBs 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 to the	
	delivering Clearing Participant.	
	h. The obligation of receiving Clearing Participant to pay 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 to the delivering Clearing	
	Participant.	
	i. The obligation of delivering Clearing Participant to deliver the Allocated JGBs 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	

Item	Description	Remarks
	day to the receiving Clearing Participant.	
	• The application for Clearing relating to Subsequent Collateral Allocation Repos (excluding Overnight Transactions) shall be deemed as an agreement between the delivering Clearing Participant and the receiving Clearing Participant of Clearing relating to the relevant Subsequent Collateral Allocation Repos. The timing of the occurrence of the obligations under the relevant agreement shall be Timing of Clearing set forth in the above table.	
3. Basket Netting	<ul> <li>At each time of the Clearing related to Subsequent Collateral Allocation Repos, 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. blow shall be referred to as the "Ending/Unwind Obligation":</li> <li>a. Starting Obligation and Rewind Obligation; and</li> <li>b. Ending Obligation and Unwind Obligation.</li> </ul>	
4. Handling of Issues to be Allocated and Allocable Quantities	• 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.	<ul> <li>See Annex 3 for treatment of accounts for Subsequent Collateral Allocation Repos.</li> <li>The manner prescribed by JSCC shall be through Pre-Settlement Matching System of Japan Securities Depository Center, Inc.</li> <li>Clearing Participant which will not</li> </ul>

Item	Description	Remarks
		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.
	· Based on information stated in the Allocable Balance Notice submitted by the Clearing	• See Annexes 4 and 5 for the treatment
	Participant and other information, JSCC will decide issues subject to allocation and	of the Allocable Balance Notice.
	allocable quantities.	
5. Collateral Allocation		• See Annex 6 for detailed collateral
		allocation method and illustration of
(1) Matching for	After the basket acting ISCC will metch up the delivering Cleaning Dartisiant and the	collateral allocation.
(1) Matching Tor	• After the basket netting, JSCC will match up the derivering Clearing Participant and the	
Conateral Anocation	ISCC	
(2) Collateral Allocation	JBCC.	
a Handling at 1st	• First collateral allocation shall cover following basket positions (referring to the claims and	
Collateral	obligations for delivery of Allocated JGBs before collateral determination: the same	
Allocation	applies hereinafter):	
	(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	• Scope of the issues to be allocated and
	each pair of delivering Clearing Participant and receiving Clearing Participant, within the	allocable quantity for 1st collateral
	scope of issues subject to allocation and allocable quantity related to 1st collateral	allocation shall be limited to the issues
	allocation in respect of the relevant delivering Clearing Participant in the manner	and quantities (quantity to be received
	prescribed by JSCC.	in excess of delivering) to be received

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Item	Description	Remarks
	• The collateral allocation under (ii) shall be determined as the same issue and same quantity	by the delivering Clearing Participant
	as the collateral determined under (i). The collateral allocation under (ii) shall be	on the current day.
	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.	
b. Handling at 2nd	Second collateral allocation shall cover following basket positions:	
Collateral	(i) Basket position corresponding to Starting/Rewind Obligations based on the 2nd	
Allocation	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	
	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 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.	
c. Handling at 3rd	Third collateral allocation shall cover following basket positions:	
Collateral	(i) Basket position corresponding to Starting/Rewind Obligations based on the 3rd	
Allocation	basket netting results of which the current day is the delivery day;	

Item	Description	Remarks
	<ul> <li>(ii) Basket position corresponding to Ending/Unwind Obligations based on the 3rd basket netting results of which the next day is the delivery day.</li> <li>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.</li> <li>The collateral allocation under (ii) shall be determined as the same issue and same quantity as the 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 guantity 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.</li> </ul>	
<ul><li>(3) Notification of</li><li>Collateral Allocation</li><li>Results, etc.</li></ul>	• JSCC will notify results, etc. of the collateral allocation to the Clearing Participants in the manner prescribed by JSCC.	• The manner prescribed by JSCC shall be the method through Pre-Settlement Matching System of Japan Depository Center, Inc. and through JSCC's Clearing Participants' terminal.
<ul><li>6. Settlement</li><li>(1) Delivery Quantity and Settlement Amount</li></ul>	<ul> <li>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.</li> <li>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</li> </ul>	• 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

Item	Description				Remarks
	published by Japan Sec	Transactions other than Subsequent			
	delivery adjustment a	Collateral Allocation Repos)).			
	paid/received and the market value of JGBs based on basket netting results).				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	• Delivery/receipt of JGE	Bs and payment/recei	pt of the market value	e of such JGBs related to	
	Subsequent Collateral A	Allocation Repos sha	ll be processed throug	gh DVP Settlement in the	
	Bank of Japan Finar	icial Network Syste	em (hereinafter refe	rred to as "JGB DVP	
	Settlement").				
	Settlement Cutoff Time	shall be as follows:	1	11	
		For 1st Collateral	For 2nd Collateral	For 3rd Collateral	
		Allocation and	Allocation	Allocation	
		Ending/Unwind			
	Settlement between				
	Delivering				
	Clearing	10:30 a.m.	1:30 p.m.	3:30 p.m.	
	Participant and				
	JSCC				
	Settlement between				
	JSCC and 11:00 a.m. 2:00 p.m. 4:00 p.m.				
	Receiving Clearing		r · ·		
	Participant				

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Item	Description	Remarks
	• The request for JGB DVP Settlement to Bank of Japan will be given by JSCC for both of	• For the settlement under existing JGB
	the settlement between the delivering Clearing Participant and JSCC and the settlement	OTC Transaction Clearing Business,
	between JSCC and the receiving Clearing Participant.	the request for JGB DVP Settlement
		between the delivering Clearing
	• For JGB DVP Settlement, the position shall be split into small unit so that the JGB quantity	Participant and JSCC is to be given by
	in each settlement does not exceed 5 billion yen.	the delivering Clearing Participant.
(3) Treatment of Fail	• In the JGB DVP Settlement related to Subsequent Collateral Allocation Repos, if the	• Same as current JGB OTC Transaction
	settlement between the delivering Clearing Participant and JSCC has not been completed	Clearing Business.
	by the settlement cutoff time, such settlement and the corresponding settlement between	• Settlement Cutoff time for the
	JSCC and the receiving Clearing Participant shall be treated as fail, and the settlement shall	settlement deferred to the following
	be deferred to the following day or later.	day or later related to fail is the same
		as Settlement Cutoff Time for 1st
		Collateral Allocation and
		Ending/Unwind.
(4) payment/receipt of the	•Payment/receipt of funds of the delivery adjustment amount related to Subsequent Collateral	
delivery adjustment	Allocation Repos shall be made through current account transfer at Bank of Japan.	
amount	• 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.	
7. Variation Margin	• JSCC shall pay to/receive from Clearing Participants Variation Margin corresponding to the	• See Annex 7 for detailed calculation
C C	fluctuation of the value of unsettled obligations related to Subsequent Collateral Allocation	method of Required Variation Margin
	Repos.	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

Item	Description	Remarks
		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	• Inflation-Indexed JGBs will be added as the financial instruments comprising Transaction	• Out of Inflation-Indexed JGBs, any
Eligible Issues	subject to Clearing under JGB OTC Clearing Business.	issue up to Issue No. 16 issued in or
		before 2008 will be excluded from the
		Eligible Products subject to Clearing in
		light of difference in product features
		and maturity (to be redeemed by June
		2018) from Issue No. 17 and
		subsequent issues.
(2) Transaction subject to	• Out of Transactions involving Inflation-Indexed JGBs, the Transactions subject to Clearing	• See II. for Subsequent Collateral
Clearing	shall be Subsequent Collateral Allocation Repos transactions and those listed below a to c	Allocation Repos transactions.
	and satisfying the criteria set forth in the relevant items a to c:	• 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.
	a. Buying and Selling	
	(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	

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Item	Description Remarks	
	(c) The Indexation Coefficient of the settlement day has been fixed.	
	b. Cash-secured Bond Lending Transaction	
	(a) The Ending Transaction delivery day arrives on or before the corresponding day	Ending Transaction delivery day is not
	after one (1) year from the contract day;	required to be fixed.
	(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	
	(a) The Ending Transaction delivery day arrives on or before the corresponding day	• The Indexation Coefficient of the
	after one (1) year from the contract day;	Ending Transaction delivery day is not
	(b) The quantity is hundred thousand (100,000) yen face value multiplied by a whole number;	required to be fixed.
	(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).	
2. Assumption of	• As to transactions involving Inflation-Indexed JGBs, only the Clearing Participants who	• No specific classification of Clearing
Obligation	have selected either of the fee rate types involving Inflation-Indexed JGBs may apply for	Qualification for handling
	an assumption of obligations.	Inflation-Indexed JGBs will be established.
	• The application for assumption of obligations, matters to be stated, the application cutoff	• See Annex 17 for fees relating to
	time and the timing of an assumption of obligation shall be the same as those applied to	Inflation-Indexed JGBs.

Item	Description	Remarks
	other JGBs.	
3. Settlement	<ul> <li>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.</li> <li>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</li> </ul>	• See Annex 9 and 10 for specified handling procedures.
	amount, notional principal value shall be used in lieu of face value used when calculating	61
	<ul> <li>DVP Settlement Amount for other JGBs.</li> <li>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 calculating FOS Settlement Amount for other JGBs, as necessary.</li> </ul>	• See Annex 9 and 11 for specified handling procedures.
4. Variation Margin	• 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.	• See Annex 9 and 12 for specified handling procedures.
5. Initial Margin	<ul> <li>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;</li> <li>a. Treatment of Indexation Coefficient</li> </ul>	
	(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.	• See Annex 14 for specified handling procedures.
	(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	• See Annex 9 and 14 for specified handling procedures.

Item	Description	Remarks
	used for calculation of the said amount for other JGBs.	
	b. Establishment of New Setoff Category	
	(a) Separate setoff category from other JGBs shall be newly established for	· See Annex 14 for specified handling
	Inflation-Indexed JGBs.	procedures.
6. Clearing Fund	• New stress scenario covering Inflation-Indexed JGBs will be generated.	• See Annex 14 for specified stress scenario generation.
7. Handling of	• A deposit of Inflation-Indexed JGBs as substituting JGBs is allowed; provided, however,	• Issues excluded from Eligible Products
Substituting JGBs	that Clearing Participants allowed to deposit Inflation-Indexed JGBs as substituting JGBs	subject to Clearing (up to Issue No. 16)
	shall be those who have selected fee rate type involving Inflation-Indexed JGBs.	are not allowed to be deposited as
	· Calculation method for the market value of Inflation-Indexed JGBs deposited as	substituting JGBs.
	substituting JGBs shall be the same as that applied to other JGBs; provided, however, that,	• See Annex 9 and 13 for specified
	when calculating such market value, the notional principal value shall be used in lieu of	handling procedures.
	face value used for other JGBs.	
9 Sohomo for Monocing	• Necessary revisions will be made to take into account the treatment of Inflation-Indexed	• By covering Inflation-Indexed IGBs for
Settlement of Default	JGBs in the auction for default settlement at the time of Clearing Participant default.	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

Item	Description	Remarks
		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	· Basis of "Regular Transfer Day" used for calculation of appraisal value of Japanese	• Same treatment as shortening of	
Regular Transfer Day	Government Bonds and Variation Margin will be changed from T+2 to T+1.	settlement cycle implemented in April	
		2012 (change of outright to T+2).	
2. Revision of Type of	• To enable calculation of Required Initial Margin Amount according to type of Transaction	• A clearing participant may create an	
Netting Accounts	subject to Clearing, netting accounts will be classified into following 3 types, and	Initial Margin Group only as a	
	Transactions subject to Clearing to be booked on each of such account types will be as	combination of netting accounts	
	specified below	classified as same type.	
	a. Ordinary Account: All Transactions subject to Clearing;		
	b. Repo Transactions Only Account: Standard Repos (other than those JSCC clears		
	Ending Transactions only) and Subsequent Collateral Allocation Repos;		
	c. 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.		

Item	Description	Remarks
3. Revision of Initial Margin	<ul> <li>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:</li> <li>a. Frequency of daily Initial Margin requirement calculation and deposit will be changed from once a day to 3 times a day;</li> <li>b. For various components of Initial Margin requirement, calculation method will be revised to the one based on features of Subsequent Collateral Allocation Repos;</li> <li>c. Frequency of update of required clearing fund will be changed from weekly to daily; and</li> <li>d. Other necessary revisions will be made.</li> </ul>	• See Annex 14 for details of revisions of Initial Margin etc.
4. Revision of Scheme for Managing Settlement of Default	<ul> <li>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 Clearing Participant default will be made.</li> <li>JSCC will add the transactions agreed through the default auction at the time of Clearing Participant default to the amounts subject to calculation.</li> <li>a. Amount of Variation Margin</li> <li>b. Balance Management Fee, Fee related to Collateral Allocation and DVP Settlement Fee</li> </ul>	<ul> <li>See Annex 15 for details of revisions of Default Auction.</li> <li>Currently, transactions agreed through the default auction are subject to calculation of required initial margin.</li> </ul>
5. Revision of Obligated Fund Provision	• 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.	• See Annex 16 for details of revisions of Obligated Fund Provision.
6. Revision of transaction type relating to Repos with JSCC	• 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.	• JSCC will execute master agreement in respect of Repo Transactions of bonds, etc. with all Clearing Participants before the launch of the scheme.

Item	Description	Remarks	
7. Revision of Fees	<ul> <li>Fee structure will be revised as follows.</li> <li>a. Collateral allocation fee will be newly charged;</li> <li>b. 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;</li> <li>c. 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.</li> <li>d. Other necessary revisions will be made.</li> </ul>	• See Annex 17 for details of of fee revisions.	
8. Other	• 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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- Annex 1 Outline of Subsequent Collateral Allocation Repos
- Annex 2 Baskets for Subsequent Collateral Allocation Repos
- Annex 3 Treatment of Account in Subsequent Collateral Allocation Repos
- Annex 4 Handling of Allocable Balance Notice in Subsequent Collateral Allocation Repos
- Annex 5 Allocable Issues and Allocable Quantities in Collateral Allocation
- Annex 6 Collateral Allocation Rules for Subsequent Collateral Allocation Repos
- Appendix 1 Illustration of Deliverer-Receiver Matching Process for Collateral Allocation
- Appendix 2 Illustration of Order among Issues in Collateral Allocation
- Appendix 3 Illustration of Order among Positions subject to Allocation in Collateral Allocation
- Annex 7 Variation Margin Calculation Method related to Subsequent Collateral Allocation Repos
- Annex 8 Timing to Start Clearing Inflation-Indexed Bonds
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- Annex 14 Revision of Initial Margin, etc. Associated with Shortening of Settlement Cycle
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- Annex 15 Revision of Default Management, etc. associated with Shortening of Japanese Government Bonds Settlement Cycle
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- Annex 17 Fee Structure after Shortening of Settlement Period and Covering Inflation-Indexed Bonds

### 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 an	d Subsequent Co	ollateral Allocation I	Repos
3	1	1		1

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

### ■ Type and Subject of Transaction

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

End of Document

### 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.

End of Document

Reference

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

Master In	Allocable Balance Notice to be		
Netting Account	Settlement Account at Bank of Japan	Prepared/Submitted at each Allocation Cycle	
●● 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)	

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

<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		Allocable Balance Notice to be	
Netting Account	Settlement Accour	t at Bank of Japan	Fund	Prepared/Submitted
	JGB Deliver	JGB Receive		at each Allocation Cycle
■■ Trust (Proprietary)	■ ■ Trust Standard Settlement Account (00)		_	Allocable Balance Notice (for Proprietary Account)
∎∎ Trust	■■ Trust Trust Account 1	■ Trust Trust Account 1 (01) ■ Trust Trust Account 1 (01)	Fund ①	Allocable Balance Notice (for Fund $\textcircled{1}$ )
(Trust Account 1)	(01)		Fund 2	Allocable Balance Notice (for Fund 2)
∎∎ Trust		■ ■ Trust Standard	Fund ③	Allocable Balance Notice (for Fund $(3)$ )
(Trust Account 2)		Settlement Account (00)	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)

 $\leq$ 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.
- Sasket 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>

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

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

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

	Allocable Balance Notice to be			
Netting AccountParty Submitting Trade Report DataSettlement Account at Bank of JapanParty Submitting Allo Balance Notice		Party Submitting Allocable Balance Notice	Prepared/Submitted at each Allocation Cycle	
□□Securities * Outsourcer	Agent	Standard Settlement Account of Agent (00)	Agent	Allocable Balance Notice (for □□ Securities)

 $\leq$ 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 >

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

 $\leq$ 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	Time Designated by JSCC	Points of Attention	
Allocation			
		• 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	
1st	9:00 p.m. on previous day	Collateral Allocation Repos on the allocation date <sup>*1</sup> 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> <li>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.</li> <li>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)<sup>*2*3</sup>.</li> </ul>	
3rd	2:00 p.m. on current day	Same as above <sup>*4</sup>	

- \*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	• Issues that are contained in Allocable Balance Notice and to be received on the allocation date in relation to Subsequent Collateral Allocation Repos <sup>*</sup>	<ul> <li>By Issue subject to Allocation to be used for Collateral Allocation, lesser of:         <ol> <li>Balance stated in Allocable Balance Notice; and</li> <li>Quantity of JGBs scheduled to be received on the allocation date in relation to Subsequent Collateral Allocation Repos</li> </ol> </li> </ul>	• 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	• Issues contained in Allocable	Balance stated in Allocable Balance Notice	
and	Balance Notice		
3rd			

\* 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).

End of Document

### Collateral Allocation Rules for Subsequent Collateral Allocation Repos

Item	Description	Remarks
1. Matching Process for Collateral	· As to basket position corresponding to Starting/Rewind Obligations, a delivering	• See Appendix 1 for example of
Allocation	Clearing Participant and a receiving Clearing Participant will be matched so that	matching delivering Clearing Participant
	the settlement amount of the Clearing Participant delivering JGBs to JSCC and that	and receiving Clearing Participant
	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."	
2. Method of Determination of	• For each pair set in 1. above, allocation quantities are determined in such manner	• Market value of the allocated JGBs will
Allocation Quantity by Issue	that market value of the allocated JGBs will be equal to or more than, and closest	be obtained by reference to Reference
	to, the settlement amount related to Starting/Rewind Obligations.	Statistical Price (in actual operation,
	• Specifically, collateral to be allocated are determined according to the order among	JSCC will apply the "unit price with
	issues and the order among positions subject to allocation set forth in 3. below, and	accrued interest" obtained by adding
	the quantity with which the market value of the allocated JGB becomes equal to or	accrued interest up to the allocation
	more than the settlement amount for Starting/Rewind Obligations related to each	date). Indexation Coefficient shall

1

Item	Description	Remarks
	position subject to allocation will be the allocation quantity.	be taken into account in calculation
		of Market Value of Inflation-Indexed
		JGB.
3. Collateral Allocation Order in 1st Collateral Allocation		
(1) Order Among Issues		
a. Collateral Allocation through	• The collateral and quantity scheduled to be received as allocated JGBs in relation to	
Preferential Matching	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.	
b. Collateral Allocation through	• Issues and quantities of JGBs scheduled to be received on the current day remaining	• See Appendix 2
Random Matching	after allocation in a. above shall be allocated within the scope of remaining	
	quantity.	• As to the quantity on Allocable Balance, if
	• As to portion of the position subject to allocation equal to or more than 5 billion	multiple baskets are included in the
	yen, issues will be allocated by face value of 5 billion yen in the order from the	position subject to allocation, quantity
	issue with the largest balance on Allocable Balance Notice; provided that, if	corresponding to the basket of which
	remaining quantity is less than 5 billion yen for all issues, remaining quantity of	collaterals are already allocated, shall be
	each issue shall be allocated from the issue with the largest balance on Allocable Balance Notice.	deducted.
	• 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.	
(2) Order among Positions		• See Appendix 3
a. Order among Baskets	• For multiple baskets containing the same covered JGBs, Collateral Allocation for a	

2

Item	Description	Remarks
	basket with lesser covered JGBs will be made first, and then Collateral Allocation	
	for a basket with more covered JGBs will be made.	
b. Order among Positions	• 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	• Same as 3. (1) b.	• It shall be the same for all basket
		Collateral Allocation.
(2) Order among Positions subject to Allocation	• Same as the order in 1st Collateral Allocation.	
5. Issues Excluded from Collateral	• Issues with respect to which the redemption date falls on the next business day	• Upon receipt of Allocable Balance
Allocation	following the date of Collateral Allocation shall be excluded from Issues subject to	Notice, error notice shall be returned to
	Allocation.	exclude the relevant issue.
	• 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.	

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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]



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.) 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.)



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### 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



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#### Appendix 2

#### Illustration of Order among Issues in Collateral Allocation

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

							(1	n 100 mil	lion 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		



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

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< Order among Issues >

#### Illustration of Order among Positions subject to Allocation in Collateral Allocation

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

	(in 100 million yen)					
Basket		Order ar Collatera	nong Position s al Allocation	Allocated Issue		
		200		High	1	
JGB Basket ①	500	150			Q	Allocate according to order among
		100			3	Issues
		50			4	
JGB Basket ②	150	100			5	
		50		Low	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 newly issued Inflation-Indexed Bonds shall be as follows:

Issue	JSCC Clearing Start Date / Time to Start Application for Clearing
Interest-bearing Bonds	• 11:00 a.m. (or 1:15 p.m. for 40 year bonds) on Auction Date
Treasury Discount Bills	• 11:00 a.m. on Auction Announcement Date
Floating-rate Bonds	• 11:00 a.m. on Auction Date
STRIPS	• 3:00 p.m. on Auction Date
Inflation-Indexed Bonds	• 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 obligations 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]

 $\blacktriangleright$  Notional Principal Value on n<sup>th</sup> day in the m<sup>th</sup> month = Face Value × Indexation Coefficient of n<sup>th</sup> day in the m<sup>th</sup> month

 $The findex on nth day in the mth month = \frac{\text{"Ref Index" on nth day in the mth month}}{\text{"Ref Index" for 10th day of the issue month}}$ (round to four decimal places) (Interest Payment Month)

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

"Ref Index" on nth day in the mth month (2015 basis)x"Ref Index" as of September 10, 2016 (2010 basis)"Ref Index" for 10th day of the issue monthx"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)

 $\blacktriangleright$  Ref Index on n<sup>th</sup> day in the m<sup>th</sup> month

• If 
$$n = 10$$

= CPI for the 
$$(m-3)^{th}$$
 month

• If n > 10

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

Number of days (11th day in the mth month to nth day in the mth month)

month  $\times$  Number of days (11th day in the mth month to 10th day in the (m+1)th month)

•	If $n < 10$		
	=CPI for the $(m-3)^{th}$ month ×	Number of days (11th day in the $(m-1)$ th month to nth day in the mth month)	$\perp$ CDI for the $(m - 4)^{\text{th}}$ month
		Number of days (11th day in the $(m-1)$ th month to 10th day in the mth month)	+ CPI for the (III – 4) monum
	Number of days ((n+1)th day	y in the mth month to 10th day in the mth month)	
×	Number of days (11th day i	n the (m–1)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 revise CPI.

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(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
DVP Settlement Amount = $\underline{Face Value} \times Market Price for next Business$	DVP Settlement Amount = Notional Principal Value on next Business Day (*1)
Day(*) / 100	$\times$ Market Price for next business day (*2) / 100
(*) 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).	<ul> <li>(*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).</li> <li>(*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).</li> </ul>

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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 = <u>Face Value</u> × Nominal Coupon (%) / 200	Interest Equivalent = <u>Notional Principal Amount on Interest Payment</u> <u>Date</u> × 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 <u>on Redemption Date</u> 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 $=$	Principal Amount to be Paid/Received on Redemption Date =
Face Value	Greater of Face Value and Notional Principal Value on Redemption Date

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> $\times$ Market Price for Regular Transfer Day	Market Value = <u>Notional Principal Value on Regular Transfer Day</u> $\times$			
	Market Price for Regular Transfer Day			

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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:

Inflation-Indexed Bonds			
Market Value of Substituting Securities = <u>Notional Principal Value on</u>			
<u>Deposit Date</u> $\times$ (Unit Price for Deposit Date $\times$ Appraisal Multiplier			
+ Accrued Interest for Deposit Date)			

- 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				
Principal Amount Equivalent to be Deposited as Cash Collateral on	Principal Amount Equivalent to be Deposited as Cash Collateral on				
Redemption Date = $\underline{Face Value}$	Redemption Date = <u>Greater of Face Value and Notional Principal Value on</u>				
	Redemption Date				

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#### 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			Remarks			
1. Required Initial	Calculation timing of Required Initial Margin Amount and		ulation timing of R	Required Initial Margin Amount will be			
Margin Amount	argin Amount deposit deadline shall be as follows:			1st	<u>2nd</u>	<u>3rd</u>	updated 3 times a day.
Calculation Timing and	Calculation Timing: 6:30 P.M. d Deposit Deadline: 11:00 A.M. next day	Calculation 7:00 A.M. 11:00 A.M.	<u>11:00 A.M.</u>	<u>2:00 P.M.</u>	• Initial Margin refund will also be made 3 times a day (to be made upon request of		
Deposit Deadline			Deposit Deadline	<u>10:00 A.M.</u>	<u>2:00 P.M.</u>	<u>5:00 P.M.</u>	a Clearing Participant promptly after each Deposit Deadline).
2. Required Initial Margin Amount	red Initial red Initial Required Initial Margin Amount shall 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: a. Initial Margin Amount to Cover Market Price Fluctuation Risk; b. Initial Margin Amount to Cover Repo Rate Fluctuation Risk; c. Initial Margin Amount to Cover FOS Settlement Failure Risk; and d. Required Amount of Market Impact Charge.		uired Initial Margir tial Margin Amour itial Margin Amour tial Margin Amour equired Amount of	<ul> <li>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.</li> <li>See 2. (1) to (4) for calculation method of each required amount.</li> </ul>			
(1) Initial Margin	Initial Margin Amount to Cover Market Price Fluctuation Risk	• In	itial Margin Amo	unt to Cover Market Price	Fluctuation Risk for 1st	requirement calculation shall be	the • As to Subsequent Collateral Allocation
Amount to	shall be the largest of the following:	largest	of the following:				Repos, only those positions for which
Cover Market	a. Market Price Fluctuation POMA	a. Market Price Fluctuation POMA					collateral allocation has been completed
Price	- After calculating, for all issues, the amount for each	- After calculating, for all issues, the amount for each issue obtained by multiplying the Net Quantity for					for shall be covered.
	issue obtained by multiplying the difference between	such Clearing Participant for each issue in relation to the Ordinary Transactions, of which obligations have					• See Annex for regarding the Market
	the total quantity delivered and the total quantity	been assumed by the day before the calculation day and of which settlement day arrives on or after the					the Price Fluctuation Risk Factor
	received (hereinafter referred to as the "Net Quantity")		calculation day, a	nd the Subsequent Collater	al Allocation Repos, of wh	ich obligations have been assumed	by
	by such Clearing Participant for each issue in relation		7:00A.M. on the calculation day and of which settlement day arrives on or after the calculation day, by the				the
	to the Transactions subject to Clearing that are	Market Price Fluctuation Risk Factor for each issue, the total amount of such calculated amount for each					ach
	Buying/Selling Transactions, Cash-secured Bond	1 issue offset by the setoff ratio.					
	Lending Transactions and Repo Transactions (other		arket Price Fluctua				
	than Subsequent Collateral Allocation Repos)	- After calculating, for all issues, the amount for each issue obtained by multiplying the Net Quantity for					for
	(hereinafter referred to as the "Ordinary	such Clearing Participant for each issue in relation to the Ordinary Transactions, of which obligations have					ive
	Transactions"), of which obligations have been		been assumed by the day before the calculation day and of which settlement day arrives on or after the next				ext
	assumed by the calculation day and of which		day tollowing the	calculation day, and the Su	bsequent Collateral Alloca	tion Repos, of which obligations h	
1	settlement day arrives on or after the next day		been assumed by	ext			

1

(Reference) Current Rules	After Revision	Remarks
following the calculation day, by the Market Price	day following the calculation day, by the Market Price Fluctuation Risk Factor for each issue, the total	
Fluctuation Risk Factor for each issue, the total amount	amount of such calculated amount for each issue offset by the setoff ratio.	
of such calculated amount for each issue offset by the	c. Lower Limit of Japanese Government Bonds Restructuring Cost	
setoff ratio.	- The total amount, for all issues, of the amount for each issue obtained by multiplying the Net Quantity for	
b. Market Price Fluctuation Adjusted POMA	such Clearing Participant for each issue in relation to the Ordinary Transactions, of which obligations have	
- After calculating, for all issues, the amount for each	been assumed by the day before the calculation day and of which settlement day arrives on or after the	
issue obtained by multiplying the Net Quantity for	calculation day, and the Subsequent Collateral Allocation Repos, of which obligations have been assumed by	
such Clearing Participant for each issue in relation to	7:00A.M. on the calculation day and of which settlement day arrives on or after the calculation day, by the	
the Ordinary Transactions, of which obligations have	Market Price Fluctuation Risk Factor for each issue, multiplied by ten hundredths (0.1).	
been assumed by the calculation day and of which		
settlement day arrives on or after the second day	· Initial Margin Amount to Cover Market Price Fluctuation Risk for 2nd requirement calculation shall be the largest	
following the calculation day, by the Market Price	of the following:	
Fluctuation Risk Factor for each issue, the total amount	a. Market Price Fluctuation Adjusted POMA	
of such calculated amount for each issue offset by the	- After calculating, for all issues, the amount for each issue obtained by multiplying the Net Quantity for	
setoff ratio.	such Clearing Participant for each issue in relation to the Ordinary Transactions, of which obligations have	
c. Market Price Fluctuation Average POMA	been assumed by the day before the calculation day and of which settlement day arrives on or after the next	
- The average of the top twenty (20) daily Market	day following the calculation day, and the Subsequent Collateral Allocation Repos, of which obligations have	
Price Fluctuation POMA during a period of past 120	been assumed by 11:00A.M. on the calculation day and of which settlement day arrives on or after the next	
days (excluding holidays) ending on the day	day following the calculation day, by the Market Price Fluctuation Risk Factor for each issue, the total	
immediately preceding the calculation day.	amount of such calculated amount for each issue offset by the setoff ratio.	
d. Lower Limit of Japanese Government Bonds Restructuring	b. Lower Limit of Japanese Government Bonds Restructuring Cost	
Cost	- The total amount, for all issues, of the amount for each issue obtained by multiplying the Net Quantity for	
- The total amount, for all issues, of the amount for	such Clearing Participant for each issue in relation to the Ordinary Transactions, of which obligations have	
each issue obtained by multiplying the Net Quantity	been assumed by the day before the calculation day and of which settlement day arrives on or after the next	
for such Clearing Participant for each issue in relation	day following the calculation day, and the Subsequent Collateral Allocation Repos, of which obligations have	
to the Ordinary Transactions, of which obligations	been assumed by 11:00A.M. on the calculation day and of which settlement day arrives on or after the next	
have been assumed by the calculation day and of	day following the calculation day, by the Market Price Fluctuation Risk Factor for each issue, multiplied by	
which settlement day arrives on or after the next day	ten hundredths (0.1).	
following the calculation day, by the Market Price		
Fluctuation Risk Factor for each issue, multiplied by	• Initial Margin Amount to Cover Market Price Fluctuation Risk for 3rd requirement calculation shall be the largest of	
ten hundredths (0.1).	the following:	
	a. Market Price Fluctuation Adjusted POMA	
	- 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 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	

(Reference) Current Rules	After Revision	Remarks
	<ul> <li><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.</li> <li>b. Market Price Fluctuation Average POMA (not applicable to Repo Transactions Only Accounts and Subsequent Collateral Allocation Repos Only Accounts) <ul> <li>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. 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 setoff ratio.</li> </ul> </li> <li>c. Lower Limit of Japanese Government Bonds Restructuring Cost <ul> <li>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 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 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 the day before the calculation day and of which se</li></ul></li></ul>	
<ul> <li>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.</li> <li>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.</li> </ul>	<ul> <li>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.</li> <li>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>.</li> </ul>	

(Reference) Current Rules		After Revision	Remarks
(2) Initial Margin	Initial Margin Amount to Cover Repo Rate Fluctuation Risk	• Initial Margin Amount to Cover Repo Rate Fluctuation Risk for 1st requirement calculation shall be the largest of	• Treatment of Repo Rate Fluctuation
Amount to	shall be the largest of the following:	the following:	Risk Factor remains unchanged.
Cover Repo Rate	a. Repo Rate Fluctuation POMA	a. Repo Rate Fluctuation POMA	· As to Subsequent Collateral Allocation
Fluctuation Risk	-Absolute value of the total amount, for all issues and all	- Absolute value of the total amount, for all issues and all settlement days, of the amount obtained as a	Repos, basket positions before collateral
	settlement days, of the amount obtained as a product of	product of (x) the amount obtained by multiplying the market value (or the settlement amount for basket	allocation shall also be covered.
	(x) the amount obtained by multiplying the market value	obligations; the same applies hereinafter) of the Net Position of each issue and each settlement day for such	
	of the difference between the total quantity delivered and	Clearing Participant related to the Ordinary Transactions, of which obligations have been assumed by the day	
	total quantity received (hereinafter referred to as the	before the calculation day and of which settlement day arrives on or after the calculation day, and the	
	"Net Position") of each issue and each settlement day for	Subsequent Collateral Allocation Repos, of which obligations have been assumed by 7:00A.M. on the	
	such Clearing Participant related to the Ordinary	calculation day and of which settlement day arrives on or after the calculation day, by the Repo Rate	
	Transactions, of which obligations have been assumed	Fluctuation Risk Factor, and (y) the value obtained by dividing the number of days (including holidays, and if	
	by the calculation day and of which settlement day	the settlement day arrives prior to the regular transfer day, the value will be negative) from the regular	
	arrives on or after the next day following the calculation	transfer day to the settlement day by 365. For Inflation-Indexed JGB, notional principal value as of the	
	day, by the Repo Rate Fluctuation Risk Factor, and $\left(y\right)$	regular transfer day will be used in calculating the market value of Net Position.	
	the value obtained by dividing the number of days	b. Lower Limit of Repo Rate Fluctuation Risk	
	(including holidays, and if the settlement day arrives	- Total amount, for all issues and all settlement days, of the absolute value of the amount obtained for each	
	prior to the regular transfer day, the value will be	issue and each settlement day as a product of $(x)$ the amount obtained by multiplying the market value of the	
	negative) from the regular transfer day to the settlement	Net Position for each issue and settlement day for such Clearing Participant related to the Ordinary	
	day by 365.	Transactions, of which obligations are assumed by the day before the calculation day and of which settlement	
	b. Repo Rate Fluctuation Average POMA	day arrives on or after the calculation day, and the Subsequent Collateral Allocation Repos, of which	
	-Average of top 20 daily Repo Rate Fluctuation POMA	obligations have been assumed by 7:00A.M. on the calculation day and of which settlement day arrives on or	
	during a period of past 120 days ending on the day	after the calculation day, by the Repo Rate Fluctuation Risk Factor, and (y) the value obtained by dividing the	
	immediately preceding the calculation day (excluding	number of days (including holidays, and if the settlement day arrives prior to the regular transfer day, the	
	holidays).	value will be negative) from the regular transfer day to the settlement day by 365, multiplied by ten	
	c. Lower Limit of Repo Rate Fluctuation Risk	hundredth (0.1).	
	-Total amount, for all issues and all settlement days, of		
	the absolute value of the amount obtained for each issue	· Initial Margin Amount to Cover Repo Rate Fluctuation Risk for 2nd requirement calculation shall be the largest of	
	and each settlement day as a product of $(x)$ the amount	the following:	
	obtained by multiplying the market value of the Net	a. Repo Rate Fluctuation POMA	
	Position for each issue and settlement day for such	- Absolute value of the total amount, for all issues and all settlement days, of the amount obtained as a	
	Clearing Participant related to the Ordinary Transactions,	product of (x) the amount obtained by multiplying the market value of the Net Position of each issue and each	
	of which obligations are assumed by the calculation day	settlement day for such Clearing Participant related to the Ordinary Transactions, of which obligations have	
	and of which settlement day arrives on or after the next	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, by the Repo Rate	day following the calculation day, and the Subsequent Collateral Allocation Repos, of which obligations have	
	Fluctuation Risk Factor, and (y) the value obtained by	been assumed by 11:00A.M. on the calculation day and of which settlement day arrives on or after the	
	dividing the number of days (including holidays, and if	calculation day, by the Repo Rate Fluctuation Risk Factor, and (y) the value obtained by dividing the number	
	the settlement day arrives prior to the regular transfer	of days (including holidays, and if the settlement day arrives prior to the regular transfer day, the value will	

(Reference) Current Rules	After Revision	Remarks
day, the value will be negative) from the regular transfer	be negative) from the regular transfer day to the settlement day by 365. For Inflation-Indexed JGB, notional	
day to the settlement day by 365, multiplied by ten	principal value as of the regular transfer day will be used in calculating the market value of Net Position.	
hundredth (0.1).	b. Lower Limit of Repo Rate Fluctuation Risk	
	- 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 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, 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 for 3rd requirement calculation shall be the largest of	
	the following:	
	a. Repo Rate Fluctuation Adjusted POMA	
	- 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 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, 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 (not applicable to Subsequent Collateral Allocation Only Accounts)	
	- Average of top 20 daily POMA for calculation of Repo Rate Fluctuation Average POMA during a period of	
	past 120 days ending on the day immediately preceding the calculation day (excluding holidays). 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	1
	Clearing Participant related to the Ordinary Transactions, of which obligations have been assumed by a	1
	certain day and of which settlement day arrives on or after the next day following that day, and the	1
	Subsequent Collateral Allocation Repos, of which obligations have been assumed by 2:00P.M. on that day	1
	and of which settlement day arrives on or after the next day following that day, by the Repo Rate Fluctuation	1
	Risk Factor, and (y) the value obtained by dividing the number of days (including holidays, and if the	1

	(Reference) Current Rules	After Revision	Remarks
		<ul> <li>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.</li> <li>c. Lower Limit of Repo Rate Fluctuation Risk <ul> <li>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 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, 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).</li> </ul> </li> </ul>	
(3) Initial Margin Amount to Cover FOS Settlement Failure Risk	<ul> <li>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.</li> </ul>	<ul> <li>Initial Margin Amount to Cover FOS Settlement Failure Risk for 1st requirement calculation shall be the sum total of the following:</li> <li>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</li> <li>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.</li> <li>Initial Margin Amount to Cover FOS Settlement Failure Risk for <u>2nd requirement calculation</u> shall be the sum total of the following: <ul> <li>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</li> <li>b. 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</li> <li>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;</li> <li>Initial Margin Amount to Cover FOS Settlement Failure Risk for <u>3rd requirement calculation</u> shall be the sum total of the following:</li> <li>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).</li> <li>b. The amount equivalent to the required amount of Variation Margin related to Subsequent Collateral Allocation Repos Only Accounts).</li> </ul></li></ul>	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	Required Amount of Market Impact Charge shall be the total	· Required Amount of Market Impact Charge for 1st requirement calculation shall be the largest of the following:	· Treatment of basis point spread value
Amount of	amount, for all issues, of the amount for each issue obtained	When calculating Market Impact Charge relating to Inflation-Indexed JGB, the amount will be replaced by	remains unchanged.
Market Impact	by multiplying the Net Quantity for each issue for such	notional principal value as of the regular transfer day.	· Market condition for setting up the
Charge	Clearing Participant in respect of the Ordinary Transactions,	a. Amount Equivalent to Transaction Execution Costs	criterial spread in market survey will be
	of which obligations have been assumed by the calculation	- The total amount, for all issues, of the amount for each issue obtained by multiplying each of the Net	changed from ordinary condition to
	day and of which settlement day arrives on or after the next	Quantity for each issue for such Clearing Participant in respect of the Net Quantity for each issue for such	stressed condition.
	day following the calculation day, by the basis point value	Clearing Participant in respect of the Ordinary Transactions, of which obligations have been assumed by the	• Criterial Spread at the starting of
	(or 1 for floating-rate Japanese government bonds, the same	day before the calculation day and settlement day arrives on or after the calculation day, and the Subsequent	clearing for Inflation-Indexed JGB will
	applies hereinafter) and the criterial spread by issue.	Collateral Allocation Repos, of which obligations have been assumed by 7:00A.M. on the calculation day and	be set through the preliminary market
		settlement day arrives on or after the calculation day, by the basis point value and the criterial spread by	survey. It shall be expressed in Yen (the
		issue.	amount of gap).
		b. Amount Equivalent to Adjusted Transaction Execution Costs	• The positions relating to ordinary
		- The total amount, for all issues, of the amount for each issue obtained by multiplying each of the Net	transaction and Subsequent Collateral
		Quantity for each issue for such Clearing Participant in respect of the Net Quantity for each issue for such	Allocation Repos will not be netted.
		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, by the basis point value and the criterial spread by	
		issue.	
		Required Amount of Market Impact Charge for 2nd requirement calculation shall be the following:	
		a. Amount Equivalent to Adjusted Transaction Execution Costs	
		- The total amount, for all issues, of the amount for each issue obtained by multiplying each of the Net	
		Quantity for each issue for such Clearing Participant in respect of 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, by the basis point value and the criterial spread by	
		issue.	
		Required Amount of Warket Impact Unarge for Srd requirement calculation shall be the largest of the following:	
		a. Amount Equivation to Aujusted Hailsaction Execution Costs	
		— The total amount, for an issues, of the amount for each issue obtained by multiplying each of the Net Quantity for each issue for such Clearing Participant in respect of the Net Quantity for each issue for such	
		Quantity for each issue for such Clearing Participant in respect of the <u>Net Quantity for each issue for such</u>	
		day before the coloulation day and sottlement day arrives on on offer the coloulation and the Cubercurvet	
		Collateral Allocation Repose of which obligations have been assumed by 2:00PM on the calculation day and	

	(Reference) Current Rules	After Revision	Remarks
		<ul> <li>settlement day arrives on or after the calculation day, by the basis point value and the criterial spread by issue.</li> <li>Amount Equivalent to Average Transaction Execution Costs (not applicable to the Repo Only Accounts and Subsequent Collateral Allocation Repo Only Accounts)         <ul> <li>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 shall be the total amount, for all issues, of the amount equivalent to average 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.</li> </ul></li></ul>	
(5) Increase of Required Initial Margin Amount according to Credit- worthiness	• 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> <li>If JSCC considers it necessary in light of the creditworthiness of a Clearing Participant, JSCC may increase the Required Initial Margin Amount by 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.</li> <li>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 Required Initial Margin Amount calculation day of all receiving positions of which settlement day arrives during the Required Initial Margin Amount calculation day 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.</li> </ul>	<ul> <li>Specific level of Initial Margin increase according to the creditworthiness of Clearing Participant is as specified in Appendix.</li> <li>JSCC shall pay the fail charge to a receiving Clearing Participant if the delivery of JGB is failed due to default of Clearing Participant.</li> </ul>
(6) Intraday Initial Margin	<ul> <li>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.</li> <li>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.</li> </ul>	<ul> <li>No change.</li> <li>When it is triggered, <u>JSCC will increase certain rate for Required Initial Margin in respect of Intraday Initial</u> <u>Margin for 2nd and 3rd calculation on the triggered day.</u></li> </ul>	<ul> <li>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</li> </ul>

	(Referen	ce) Current Rules	After Revision		Remarks
	<ul> <li>Trigger level, deposit de Margin Amount shall be a</li> </ul>	eadline and Required Intraday Initial s follows:	• The increase ratio in respect of Trigger level and Required Intrada	ay Initial Margin Amount shall be as follows:	greater of such increase or increase in respect of Intraday Initial Margin will be applied.
	Trigger Level	Required Intraday Initial Margin Amount	Trigger Level	Increase ratio related to Intraday Initial Margin	
	Value obtained by rounding the set value of the market price fluctuation risk factor (interset_bearing	Required Initial Margin Base Amount calculated on the	Value obtained by rounding the set value of the market price fluctuation risk factor (interest-bearing 7-10 year zone) to the nearest 2 decimal places and truncated at each unit of 0.05.	Increase ratio according to the following Increase Level shall be applied. Increase ratio	
	7-10 year zone) to the nearest 2 decimal places and truncated at each unit of 0.05.	day before the date of call multiplied by 1.3	Value obtained by rounding down the difference between the Above-mentioned long-term JGB Futures contract prices divided by the market price fluctuation risk factor (interest-bearing 7-10 year zone) to the nearest 1 decimal place and added 0.1		
	Value obtained by multiplying the	Required Initial Margin Base	<u>1.1</u> <u>1.2</u>	<u>1.1 times</u> <u>1.2 times</u>	
	and truncating the resultant value at	day before the date of call multiplied by 1.6	<u>1.3</u> <u>1.4</u>	<u>1.3 times</u> <u>1.4 times</u>	
	each unit of 0.05		<u>1.5</u> <u>1.6</u>	<u>1.5 times</u> <u>1.6 times</u>	
			<u>1.7</u> <u>1.8</u> 1.9	<u>1.7 times</u> <u>1.8 times</u>	
			<u>2 or more</u>	<u>2 times</u>	
3. Required Clearing Fund Amount	Greater of the Required million yen.	Clearing Fund Base Amount and 100	No change.		
	<ul> <li>The Required Clearing total of risk amount e Participants whose risk</li> </ul>	Fund Base Amount shall be the sum xceeding collateral for 2 Clearing amount exceeding collateral are the	<ul> <li>The Required Clearing Fund Base Amount shall be the greater of for 2 Clearing Participants whose risk amount exceeding collater Clearing Fund Calculation Date (total amount of the risk amount</li> </ul>	of the sum total of risk amount exceeding collateral ral are the largest and the second largest as of the punt exceeding collateral for such other Clearing	
	largest and the second Calculation Date (total a	largest as of the Clearing Fund mount of the risk amount exceeding	Participant in case where the other Clearing Participant is incl <u>companies</u> ) including the Clearing Participant. The same applies	luded in the corporate group (including affiliated hereinafter.) or the average of such total amount of	

	(Reference) Current Rules	After Revision	Remarks
	<ul> <li>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.</li> <li>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.</li> </ul>	<ul> <li><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.</li> <li>No change</li> </ul>	
(1) Calculation Timing an Deposit Cuto Time	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> <li>Calculation timing and deposit deadline of the Required Clearing Fund Amount shall be as follows: Calculation Timing : <u>6:30P.M.</u></li> <li>Deposit Cutoff Time: <u>10:00A.M. next day</u></li> </ul>	<ul> <li>Frequency of calculation is changed to daily as part of revisions of risk management.</li> <li>Treatment in association with the change of deposit deadline of Initial Margin.</li> </ul>
(2) Amount Equivalent t Stressed Risk	• 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.	• 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> <li>Variation during the period when the extreme market variation is observed is added to the stress scenario as a historical scenario.</li> <li>See appendix for setting up of stress scenario.</li> <li>JSCC shall pay the fail charge to a receiving Clearing Participant if the delivery is failed due to default of Clearing Participant.</li> </ul>
4. Other (1) FOS Settlement	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> <li>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>.</li> </ul>	Treatment in association with the change of deposit deadline of Initial Margin and Clearing Fund.

#### 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 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 >



- 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.

Appendix 2

#### 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
O If creditworthiness of Clearing Participant is judged below A- or equivalent rating by all rating agencies (*1, 2) (*3)	Greater of 10% of Required Initial Margin Amount and 10% of expected
	loss related to fail charge and funding costs (*6. 7)
O If creditworthiness of Clearing Participant is judged below BBB+ or equivalent rating by all rating agencies (*1, 2) (*3)	Greater of 50% of Required Initial Margin Amount and 50% of expected
	loss related to fail charge and funding costs (*6, 7)
O If creditworthiness of Clearing Participant is judged below BBB or equivalent rating by all rating agencies (*1, 2) (*3)	Greater of 100% of Required Initial Margin Amount and 100 % of
	expected loss related to fail charge and funding costs (*6, 7)
O If creditworthiness of Clearing Participant is judged below A- or equivalent rating by any of the rating agencies (*1, 2),	Greater of 10% of Required Initial Margin Amount and 10% of expected
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	loss related to fail charge and funding costs (*6. 7)
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)	
O If creditworthiness of Clearing Participant is judged below BBB+ or equivalent rating by any of the rating agencies (*1,	Greater of 50% of Required Initial Margin Amount and 50 % of expected
2), and at the same time capital-to-risk ratio is below certain level or the like (250% for capital-to-risk ratio,	loss related to fail charge and funding costs (*6, 7)
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)	
O If creditworthiness of Clearing Participant is judged below BBB or equivalent rating by any of the rating agencies (*1,	Greater of 100% of Required Initial Margin Amount and 100 % of
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	expected loss related to fail charge and funding costs (*6, 7)
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)	

(\*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 DISCLAIMER: This is the reference translation of the original Japanese document. Japan Securities Clearing Corporation shall accept no responsibility or liability for damage or loss caused by any error, inaccuracy, or misunderstanding with regard to this translation. This document may not be reproduced or redistributed in whole or in part without the permission of Japan Securities Clearing Corporation.

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 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 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<sup>(Note 1)</sup>

• 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<sup>(Note 2)</sup> [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.

(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.

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	Around April 2013
easing by BoJ	
CHF Shock	Around January 2015
Negative interest rate by BoJ	Around January 2016
Announcement of Comprehensive	Around July 2016
Assessment by BoJ	

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

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

### 【Time Schedule】

	Day S-1	Day S
Time	21:00	:00       8:00       9:00       10:00       10:30       11:00       12:00       13:00       13:30       14:00       15:00       15:30       16:00       16:30       17:00       21:00
Event		Start JASDEC system —JSCC System Connection (7:00) - [JSCC Normal Settlement]FOS Payment Cutoff (10:00) - [JSCC Normal Settlement]FOS Payment Cutoff (10:00) - [JSCC Normal Settlement]FOS Reciept (after 10:30)
Subsequent Collatelal Allocation Repos Event	•【1st】Clea	ng (CollatelalAllocation) Application Cutoff (21: 00 or Day S-1) - [1st]DVP1 Cutoff (10:30) - [1st]DVP2 Cutoff (11:00) - [1st]DVP
1 st Collatelal Allocation	Execute/ Reconcil	Send Allocation     Settlement       Clearing / Basket Netting     Collatelal Allocation/Issue Netting
2nd Collatelal Allocation		Execute / Reconcile
3rd Collatelal Allocation		Execute / Reconcile
Submit All (for Allocable Balance Notice Submission/Update	ocable Balance Day S 1st Alloo Update Alloo data (for Da	Notice data tition) Submit Allocable Balance Notice data (for Day S 2nd Allocation application cutoff)] JGB deliverer in 2nd Collateral Allocation application cutoff)] JGB deliverer in 2nd Collateral Allocation will submit Allocable Balance Notice data in light of results of 1st Collateral Allocation . Submit Allocable Balance Notice (for Day S 2nd Allocation) L1:00-14:00 (3rd Collateral Allocation application cutoff)] JGB deliverer in 3rd Collateral Allocation application cutoff)] JGB deliverer in 3rd Collateral Allocation application cutoff)] JGB deliverer in 3rd Collateral Allocation will submit Allocable Balance Notice data in light of results of 2nd Collateral Allocation L1:00-14:00 (3rd Collateral Allocation application cutoff)] JGB deliverer in 3rd Collateral Allocation will submit Allocable Balance Notice data in light of results of 2nd Collateral Allocation. Update Allocable Balance Notice (for Day S 2nd Allocation) Update Allocable Balance Notice data (for Day S +1 1st Allocation) Update Allocable Balance Notice data in sneessary
Shedule of Initial Margin (IM) deposit		(1st]IM Requirenment Calculation (7: 00)       • [1st]IM Deposit Cutoff (10: 00)       • [2st]IM Deposit Cutoff (14: 00)         • [2nd]IM RequirementCalculation (11: 00)       • [2st]IM Deposit Cutoff (14: 00)       • [3rd]IM Deposit Cutoff (17: 00)
Shedule of Clearing		Deposit Cutoff (10: 00 )     Calculation (18:30 )

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

Item	Description	Remarks
1. Introduction of Basket	• Basket Auction shall cover the basket positions as of default determination date out	• See Appendix 1 and Appendix 2 for the
Auction	of positions of defaulting Clearing Participants due to Subsequent Collateral	list of auctions after the Shortening of
	Allocation Repos.	JGB Settlement Cycle and standard
	• All JSCC non-defaulting Clearing Participants may bid in basket auction, and such participants are not obliged to place bids.	schedule relating to Default Settlement.
	· 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	• The Subsequent Collateral Allocation
	successful bid prices does not exceed the predetermined amount of financial	Repos transaction for which the next day
	resources for loss compensation. When an auction becomes successful, Subsequent	of bid is the start date and end date of
	Collateral Allocation Repos transaction corresponding to each basket subject to	subject position is the end date shall
	such auction shall be concluded between the successful bidder Clearing Participant	become successful due to successful
	and JSCC.	basket auction.
	• The determination of successful bidder Clearing Participant will be carried out for	• Basket position of the successful bidder
	each basket until the Repo rates from the bidder Clearing Participant in the order of	Clearing Participant arising out of
	preference for JSCC satisfy the subject amount. If more than one Clearing	successful basket auction shall be netted
	will be determined by lettery	by basket with cleared basket position of
	<ul> <li>ISCC shall hold a basket auction payt day for basket positions for which the auction</li> </ul>	Participant
	was unsuccessful.	Tarticipant.
2. Revision of Positions subject	• The positions to which individual issue is allocated on the default determination	
to First-stage Auction	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	• The positions to which individual issue is allocated on the next day of default	

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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.	

End of Document

Appendix 1

# List of auctions after the Shortening of JGB Settlement Cycle

	Basket Auction	First-stage Auction	Second-stage Auction
Positions subject to process	Basket positions out of Subsequent Collateral Allocation Repos transaction	<ul> <li>Positions arising from Buying and Selling and Repo transaction</li> <li>Positions to which the individual issue had been allocated out of Subsequent Collateral Allocation Repos</li> </ul>	<ul> <li>Positions for which First-stage auction was unsuccessful</li> <li>Positions to which the individual issue had been allocated on the next day of unsuccessful basket auction</li> </ul>
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 is settlement date and Repo transactions for which the next day of bidding date is sta 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 settle 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	nd 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



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#### 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.

	(i)	(ii)	(iii)	<reference>Current status</reference>	
Default recognition	Between 4:00 p.m. of previous	Between 11:00 a.m.	Between 2:00 p.m.		
time	day and 11:00 a.m.	and 2:00 p.m.	and 4:00 p.m.		
Determination time	Noon	1,20 n m	2,20 n m	As soon as possible after	
(in principle)	INOOII	1.50 p.m.	5.50 p.m.	default recognition	
Notification time	Neen	2:00 n m	4:00 n m	Somo os obovo	
(in principle)	INOOII	2:00 p.m.	4:00 p.m.	Same as above	

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

(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.

$(\mathbf{n})$	O[1] = $(1 D)$ = $(1 D)$	· · · · · · · · · · · · · · · · · · ·		1 14 1 4	f -: 1
(2)	Unlighted Flind Provision a	at emergence of concern	over settlement	defaillt dile to 9	system failure etc
(4)	Congated I and I tovision t	a chiergenee of concern	over settlement	uclault auc to	system runure, etc

	(i)	(ii)	(iii)	<reference>Currently</reference>
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.

End of Document

#### Fee Structure after Shortening of Settlement Period and Covering Inflation-Indexed Bonds

#### Amendments from the previous Outlines are underlined.

	(Reference) Current Fees	(Reference) Current Fees Fees after Shortening of Settlement Period and Covering Inflation-Indexed Bonds		
1. Account	1. For each netting account: 500,000 yen per month	1. For each netting account: 1,800,000 yen per month		
Management Fee	* If a Clearing Participant opens multiple netting accounts,	* If a Clearing Participant opens multiple netting accounts, it shall be 100,000 yen per month from second account.		
	shall be 200,000 yen per month from second account.			
2. Obligation	(1) Buying and Selling of Japanese Government Bonds	(1) Buying and Selling of Japanese Government Bonds	• For (1)A), (1)B) and (2), when the	
Assumption Fee	The amount of money to be paid/received on the	A) Treasury discount bills	Clearing Participant has two or more	
	buying/selling settlement day (referred to as "Assumption of	The amount of money to be paid/received on the buying/selling settlement day (referred to as "Assumption of	netting accounts, the Obligation	
	Obligation Amount") multiplied by the rate specified in either	Obligation Amount" in this item) multiplied by the rate specified below.	Assumption amount shall be the total	
	A) or B) below according to the type of JGBs as specified	Assumption of Obligation Amount Rate	of Obligation Assumption amount of	
	therein:	Up to 200bil yen per month 0.002/10,000	each netting account.	
	Rate	More than 200bil yen up to 400bil yen per month 0.0015/10,000		
	A) Treasury discount bills 0.0005/10,000	More than 400bil yen up to 1tril yen per month 0.001/10,000		
	B) Japanese government	More than 1 til yen up to 3 tril yen per month 0.00075/10,000		
	bonds other than those 0.002/10,000	More than 3tril yen per month 0.0003/10,000		
	specified in A) above			
	(2) Cash-secured Bond Lending Transactions / Repo Transaction The amount of money to be paid/received for Endir	<ul> <li>B) Japanese government bonds (excluding Inflation-Indexed Bonds) and discounted Japanese government bonds (excluding Treasury discount bills)</li> <li>Assumption of Obligation Amount multiplied by the rate specified below.</li> </ul>		
	Transaction (referred to as "Assumption of Obligation	Assumption of Obligation Amount Rate		
	Amount") multiplied by the rate specified in either A) or I	Up to 1tril yep per month 0.004/10.000		
	below according to the type of transaction as specified therein	More than 1 tril ven up to 2 tril ven per month 0.003/10.000		
	Rate	More than 2tril yen up to 4tril yen per month 0.002/10.000		
	0.0001/10,000 multiplied	More than 4tril yen up to 7tril yen per month 0.0015/10.000		
	by the number of days in	More than 7tril ven per month 0.0006/10.000		
	A) Overnight transactions the lending period or			
	transaction period	C ) Inflation-Indexed Bonds		
	B) Transactions other	A Clearing Participant may apply either below (A) or (B) at its option.		
	than those specified in 0.001/10,000	(A) Rate Type A		
	A) above	The amount equal to the sum of below (i) and (ii).		
		(i) Fixed Charge <u>500,000 yen (monthly)</u>		
		(ii) Metered Rate Assumption of Obligation Amount multiplied by <u>0.08</u> /10,000		
		(B) Rate Type B		
		The amount equal to the sum of below (i) and (ii).		
		(i) Fixed Charge 100,000 yen (monthly)		
		(ii) Metered Rate Assumption of Obligation Amount multiplied by 0.16 /10,000		

 (Reference) Current Fees	Fees after Sh	nortening of Settlement Period and Covering Inflation	n-Indexed Bonds	Remarks
	(2) Cash-secured Bond Lending Transactions / Repo Transactions			• In this Annex, Repo Transactions shall
	A) Japanese government bonds	(excluding Inflation-Indexed Bonds) and Discount Japa	anese government bonds *1	include Subsequent Collateral
	The amount of money to be p	aid/received for Ending Transaction (referred to as "A	ssumption of Obligation Amount" in	Allocation Repo Transactions.
	this item) <sup>*2</sup> multiplied by the	rate specified in A) or B) below according to the type	of transaction and the Assumption of	• Basket containing the
	Obligation Amount per mont	h:		Inflation-Indexed Bonds shall mean
		Assumption of Obligation Amount	Rate	JGB basket (Inflation-Indexed Bonds,
	(A) Overnight transactions	Up to 20tril yen per month	0.0003/10,000	Interest-bearing Bonds, Floating-rate
		More than 20tril yen up to 30tril yen per month	0.00018/10,000	Bonds, Treasury Discount Bills),
		More than 30tril yen up to 50tril yen per month	0.00009/10,000	including the case where other
		More than 50tril yen up to 80tril yen per month	0.00006/10,000	Japanese government bonds are
		More than 80tril yen up to100tril yen per month	0.00003/10,000	allocated in the course of the collateral
		More than 100tril yen per month	0.00001/10,000	allocation at the introduction of the
	(B) Transactions other than	Up to 1.5tril yen per month	0.003/10,000	new system.
	those specified in A)	More than 1.5tril yen up to 2.5tril yen per month	0.0018/10,000	
	above	More than 2.5tril yen up to 5tril yen per month	0.0009/10,000	
		More than 5tril yen up to 8tril yen per month	0.0006/10,000	
		More than 8tril yen up to 10tril yen per month	0.0003/10,000	
		More than10tril yen per month	0.0001/10,000	
	<ul> <li>B) Inflation-Indexed Bonds<sup>*3</sup></li> <li>A Clearing Participant may a</li> <li>(A) Rate Type A : The amount equal to the sum</li> <li>(i) Fixed Charge 300,00</li> <li>(ii) Metered Rate Assum</li> <li>0.004/</li> <li>(B) Rate Type B: The amount equal to the sum</li> <li>(i) Fixed Charge 100,00</li> <li>(ii) Metered Rate Assum</li> <li>(ii) Metered Rate Assum</li> <li>(ii) Metered Rate Assum</li> </ul>	apply either below (A) or (B) at its option. n of below (i) and (ii). 20 yen (monthly) ption of Obligation Amount <sup>*2</sup> multiplied by 0.0004/10. 10,000, for transactions other than overnight transactio n of below (i) and (ii). 20 yen (monthly) mption of Obligation Amount <sup>*2</sup> multiplied by <u>0.0012</u> /1 2015/10,000, for transactions other than overnight transaction	000, for overnight transactions and ns, respectively. 0,000, for overnight transactions actions, respectively.	
	*1 For Subsequent Collateral All the Inflation-Indexed Bonds. *2 For overnight transactions, it s number of days within the len	ocation Repos, these fees shall apply to the transaction shall be the amount obtained by multiplying the Assum ding period or transaction period, as applicable.	not covering the basket containing ption of Obligation Amount by the	

	(Reference) Current Fees	Fees after Shortening of Settlement Period and Covering Inflation-In	Remarks	
		*3 For Subsequent Collateral Allocation Repos, these fees shall apply to the transaction cov Inflation-Indexed Bonds.		
3. Collateral Allocation Fee	(New Addition)	<ul> <li>(1) Collateral Allocation Fee The amount of money<sup>*1</sup> to be paid/received in relation to Starting/Rewind Obligation<sup>*2</sup> multiplied by following rate: </li> <li>Amount of Money to be paid/received in relation to Starting/Rewind Obligation Up to500bil yen per month More than 500bil yen up to 2.5tril yen per month More than 2.5tril yen up to 10tril yen per month More than 10tril yen up to 15tri yen per month More than 15tril yen per month *<sup>1</sup> Applicable only to Clearing Participants who will become JGB deliverers as a result o *<sup>2</sup> Includes the obligations deferred from previous collateral allocation. *<sup>3</sup> If any Inflation-Indexed Bonds are allocated, market value of the relevant Inflation-Inf (2) Inflation-Indexed Bonds Allocation Fee A Clearing participant may apply either below (A) or (B) at its option. (A) Rate Type A: An amount equal to the sum of below (i) and (ii). (i) Fixed Charge 200,000 yen (monthly) (ii) Metered Rate Market value of the Inflation-Indexed Bonds allocated to the Starti 0.003/10,000 (B) Rate Type B: An amount equal to the sum of below (i) and (ii). (i) Fixed Charge 100,000 yen (monthly) (ii) Metered Rate Market value of the Inflation-Indexed Bonds allocated to the Starti 0.003/10,000 (B) Rate Type B: An amount equal to the sum of below (i) and (ii). (i) Fixed Charge 100,000 yen (monthly) (ii) Metered Rate Market value of the Inflation-Indexed Bonds allocated to the Starti 0.007/10,000 (*) Applicable only to the Clearing Participant who will become JGB deliverer as a result 0.007/10,000 (*) Applicable only to the Clearing Participant who will become JGB deliverer as a result 0.007/10,000 (*) Applicable only to the Clearing Participant who will become JGB deliverer as a result 0.007/10,000 (*) Applicable only to the Clearing Participant who will become JGB deliverer as a result 0.007/10,000 (*) Applicable only to the Clearing Participant who will become JGB deliverer as a result 0.007/10,000 </li> </ul>	* <sup>3</sup> subject to collateral allocation          Rate         0.0036/10,000         0.0032/10,000         0.0018/10,000         0.0005/10,000         f the basket netting.         dexed Bonds shall be deducted.         ng and Rewind Obligations* by         ng and Rewind Obligations * by         ult of the basket netting.	<ul> <li>New fee item adopted in association with introduction of Subsequent Collateral Allocation Repo. Successful transactions through basket auction are also eligible.</li> <li>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.</li> </ul>
		(3) Excess Allocation Fee An amount equal to the product of (i) number of cases where the collateral allocation quantity has been conducted due to shortage of allocable quantity in the 3rd allocation, a	on outside of scope of allocable nd (ii) 50,000 yen.	<ul> <li>JSCC will not charge Excess Allocation Fee for the time being. Necessity and fee level will be revisited at a certain point in time (approx. 6 months) after introduction</li> </ul>
	(Reference) Current Fees	Fees after Shortening of Settlement Period and Covering Inflation-Indexed Bonds	Remarks	
------------------------------	---	--	--	
			of Subsequent Collateral Allocation Repos.	
4. Balance Management Fee	Balance management fee on each settlement day, etc. =Total amount of Money Settlement Obligations* between each Clearing Participant and JSCC with the same settlement day, etc. ×Number of days to the day immediately preceding the next business day÷365×0.09/10,000 *	Balance management fee =Monthly total of amount subject to fee calculation on settlement day × Rate specified below. (The amount subject to fee calculation on settlement day = Total amount of Money Settlement Obligations* <sup>1</sup> * <sup>2</sup> between each Clearing Participant and JSCC with the same settlement day, etc.× Number of days to the day immediately preceding the next business day÷365)	<ul> <li>Successful transactions through default auction are also eligible.</li> <li>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.</li> </ul>	
		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		
		<ul> <li>*<sup>1</sup> 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.</li> <li>*<sup>2</sup> The amount of Money Settlement Obligations shall be the offset amount between Ending/Unwind positions (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.</li> </ul>		
5. Settlement Day	Settlement day management fee on each settlement day, etc.	Settlement day management fee on each settlement day, etc. (settlement day for buying/selling transaction and Ending		
Management Fee	(settlement day for buying/selling transaction and Ending	Transaction delivery day)		
	Transaction delivery day)	=Total transaction amount <sup>-1</sup> of Transactions Subject to Clearing relating to obligations with the same settlement day,		
	= Total transaction amount of Transactions Subject to Clearing	etc. assumed each day from each Clearing Participant $\times$ Number of excess days to settlement day, etc. <sup>*</sup> :265 $\times$ 0.015/10.000		
	relating to congations with the same settlement day, etc.	etc. $-303 \times 0.013 / 10,000$		
	excess days to settlement day, etc. $* \div 365 \times 0.015/10.000$	* The number of days from the day immediately following the second (2nd) day from the calculation day to the settlement		
		day, etc.		
	* The number of days from the day immediately following the			
	third (3rd) day from the calculation day to the settlement day, etc.			

	(Reference) Current Fees		Fees after Shortening of Settlement Period and Covering Inflation-Indexed Bonds	Remarks
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	<ul> <li>DVP Settlements in relation to successful transactions through default auction are also eligible.</li> </ul>
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	<ul> <li>(1) Principal Clearing Participant</li> <li>(2) Agency Clearing Participant</li> </ul>	5mil yen per month 5mil yen per month plus the obligation assumption fee relating to Brokerage for Clearing of Securities, etc.	(Abolished)	
11. Handling of Commission	(New addition)		As to Clearing Participant who opens Netting Account for commission, if Account Management Fee (set forth in 1.) exceeds 2,000,000 yen per a month, 2,000,000 yen shall be Account Management Fee for the relevant Clearing Participant. If monthly total amount of Obligation Assumption Fee (excluding portion relating to Inflation-Indexed Bonds), Collateral Allocation Fee, Excess Allocation Fee, Balance Management Fee, Settlement Day Management Fee and DVP Settlement Fee (set forth in 2. to 6.) hereinafter referred to as "Fee Items subject to Upper Limits") exceeds 5,000,000 yen, 5,000,000 yen per a month shall be fee amount for Fee Items subject to Upper Limits for the relevant Clearing Participant.	<ul> <li>Commission shall mean Netting Account relating to Brokerage of Clearing (excluding a portion relating customer in the same corporate group as Clearing Participant) and Trust Account.</li> <li>Clearing Participant who opens Netting Account both for commission and for its own account (other than commission), fees corresponding to commission shall have upper limits.</li> </ul>

\* Fees relating to Inflation-Indexed Bonds

 As to fee rates relating to Inflation-Indexed Bonds, Clearing Participants may make selection for each of Obligation Assumption Fee for Buying and Selling of JGBs, Obligation Assumption Fee for Cash-Secured Bond Lending Transactions and Repo Transactions and Fee related to Collateral Allocation Inflation-Indexed Bonds, make selection of either Rate Type B. (A Clearing Participant is allowed not to make any selection.)

2. 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. <u>Clearing Participants may make selection of either Rate Type A or</u> <u>Rate Type B for fees for which selection has not been made, effective as of first day of each month, by giving notice of such effect by the end of two (2) preceding month.</u>

3. If the Clearing Participant makes selection of either Rate Type A or Rate Type B for fees for which selection has not been made, with effective date falling in and after April 2019, 100,000 yen per a month shall be added for one (1) year period after the effective date.

- 4. As to buying and selling of JGBs, the Clearing Participants which made selection of either Rate Type B for Obligation Assumption Fee for Buying and Selling JGBs may apply for an assumption of obligations for a transaction involving Inflation-Indexed Bonds
- 5. As to Cash-Secured Bond Lending Transactions and Repo Transactions, the Clearing Participants which made selection of either Rate Type A or Rate Type B for Obligation Assumption Fee for Cash-Secured Bond Lending Transactions and Repo Transactions may apply for an assumption of obligations for a transaction involving Inflation-Indexed Bonds
- 6. As to Subsequent Collateral Allocation Repos, the Clearing Participants which made selection of either Rate Type B for Inflation-Indexed Bonds Allocation Fee may include the Inflation-Indexed Bonds in Allocable Balance Notice.
- 7. As to substituting Japanese government bonds for Initial Margin, JGB OTC transactions Clearing Fund and Default Contingent Margin, the Clearing Participants which made selection of either Rate Type A or Rate Type B for at least one fee relating to Inflation-Indexed Bonds (Obligation Assumption Fee for Buying and Selling of JGBs, Obligation Assumption Fee for Cash-Secured Bond Lending Transactions and Repo Transactions and Fee related to Collateral Allocation) may deposit Inflation-Indexed Bond.
- 8. As to default auction, the Clearing Participants which made required selection of fee rate type relating to Inflation-Indexed Bonds may participate in auction for transactions subject to auction covering Inflation-Indexed Bonds.

End of Document